

**Exhibit G**  
**(The Appraisal)**

**AN APPRAISAL OF  
21.88 ACRES OF VACANT LAND  
LOCATED AT  
3260 RUBIDOUX BOULEVARD,  
RIVERSIDE, CALIFORNIA**



**3260 RUBIDOUX BOULEVARD  
RIVERSIDE, CALIFORNIA**

**DATE**

**MARCH 23, 2011**

**PREPARED BY**

**AARON GARDNER, APPRAISER  
24551 Raymond Way  
Suite 190  
Lake Forest, California 92630  
(949) 462-0088  
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## **TABLE OF CONTENTS**

<b>INTRODUCTION SUMMARY OF CONCLUSIONS</b>	<b>1</b>
Letter of Transmittal	1
Purpose and Use of the Appraisal	2
Scope of Appraisal	3
Valuation Methodology	6
Certification of Value	7
<b>PROPERTY IDENTIFICATION DESCRIPTIVE DATA</b>	<b>11</b>
Assessor's Parcel Number	11
Sales History	11
Zoning	12
Estimated Exposure Time	12
Assessment and Tax Data	12
Regional Analysis	14
Neighborhood Description	32
Site Description	43
Subject Photos	49
<b>HIGHEST AND BEST USE ANALYSIS</b>	<b>59</b>
"As If" Vacant	60
<b>INCOME APPROACH ANALYSIS</b>	<b>63</b>
<b>COST APPROACH ANALYSIS</b>	<b>65</b>
<b>MARKET APPROACH ANALYSIS</b>	<b>66</b>
<b>ESTIMATED LIQUIDATION VALUE</b>	<b>85</b>
<b>FINAL VALUE CONCLUSION</b>	<b>87</b>
<b>ADDENDUM</b>	<b>88</b>
Legal Description	88
Letter of Engagement	91
Appraiser's Qualifications	94
Appraiser's License	95

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**LETTER OF TRANSMITTAL**

March 23, 2011

Mr. Bruce Diller, Chief Appraiser  
Evangelical Christian Credit Union  
955 West Imperial Highway  
Brea, California 92821-3815

RE: **LIFE CHURCH OF GOD IN CHRIST  
21.88 ACRES OF EXPANSION LAND  
3260 RUBIDOUX BOULEVARD  
RIVERSIDE (UNINCORPORATED COUNTY), CALIFORNIA 92509**

Dear Mr. Diller:

In accordance with your request and authorization, I have personally inspected and appraised the above referenced real property. This property is more completely described herein by plats, legal descriptions, and photographs. The subject property consists of vacant expansion land.

The purpose of this appraisal study is to estimate the market value of the FEE SIMPLE INTEREST in the subject property. In order to form this opinion of value, I have gathered the necessary market data and made the necessary studies in connection with the subject. After analyzing the information obtained, we have formed the opinion that the market value of the subject as of March 23, 2011 is:

**"AS IS" VALUE OF SUNCAL EXPANSION LAND**  
**(APN: 179-130-004, 179-130-007, 179-170-005 AND 179-170-020)**  
**TWO MILLION THREE HUNDRED EIGHTY THOUSAND DOLLARS**  
**(\$2,380,000)**

This value estimate is based upon an exposure period of eighteen months. Additionally, this value estimate does not include any tangible or intangible personal property (including furniture, fixtures, and equipment).

Here follows a complete appraisal in a summary narrative report format upon which the opinion expressed is predicated. The following narrative appraisal report includes a description of the subject property as well as an analysis of the environs affecting the subject and the market data used to estimate the interest appraised. Your attention is directed to the assumptions and limiting conditions, which are contained in the body of this report, for a more thorough understanding of the conditions upon which the value and conclusions contained herein were based. This appraisal is prepared in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP).

Respectfully submitted,

by:



Aaron Gardner, CA# AG005074  
Certified General Appraiser

**AARON GARDNER, APPRAISER**

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## **PURPOSE AND USE OF THE APPRAISAL**

The function or intended use of this appraisal report is to assist Evangelical Christian Credit Union in mortgage loan underwriting decisions. This report may not be used for any other reason, nor is it intended for use by any other entity than the party for which it was prepared.

This valuation is based upon the attached report and all the assumptions and limiting conditions contained therein, including the understanding that we have no control over the use to which the report may be put by a subsequent reader. Neither all nor part of the contents shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communication without the prior written consent and approval of the appraiser.

## **NATURE OF THE ASSIGNMENT**

The purpose of this report is to estimate the market value of the FEE SIMPLE INTEREST in the subject property.

## **PROPERTY RIGHTS APPRAISED**

The property rights appraised in this report represent the FEE SIMPLE INTEREST in the subject real property. This represents a property held in absolute fee; a fee without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power, and taxation. An inheritable estate.

## **MARKET VALUE DEFINED** as set forth in Section 564.5 of the Federal Register Rules and Regulations.

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date, and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated.
2. Both parties are well informed or well advised, and each acting in what he considers his own best interest.
3. A reasonable time is allowed for exposure in the open market.
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

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## **SCOPE OF APPRAISAL**

This report is intended to be a complete appraisal in a summary narrative report format which conforms to the definition of an "appraisal assignment", as defined by the Uniform Standards of Professional Appraisal Practice (USPAP) promulgated by the Appraisal Standards Board of the Appraisal Foundation; i.e., the intention is that the appraisal assignment is performed in such a manner that the results of the analysis, opinions, or conclusions be those of a disinterested third party. This appraisal is written in such a manner as to enable the reader to understand the conclusion without referring to numerous other documents. The depth of analysis is intended to reflect the complexity of the real estate and nature of the assignment.

The scope of the appraisal included making a physical inspection of the subject site. Photographs were taken of the subject's site from various perspectives to aid the reader of this report in visualizing the site and subject neighborhood. The area of the subject site was used as indicated by assessor's plat map. A reproduction of the plat map is included within this appraisal.

Following the on-site inspection, public records, CoStar Comps Incorporated database, FARES computer service, MLS and First American title records were searched to locate recent sales of similar properties. Additional interviews were conducted with people in the subject's marketplace in reference to some of these sales. Although some of this data is secondary in nature, it is assumed accurate and included in this analysis.

Information relative to flood and/or earthquake zones was obtained from state published reference maps, and is assumed to be accurate. With regard to the market overview, information was obtained from a variety of sources including, published data such as The Riverside County Real Estate Forecast, compiled by Grubb & Ellis Commercial Real Estate Division, published data supplied by the Appraisal Institute, review and analysis of existing appraisals prepared by this office and other sources, and review of business and market analysis published in numerous publications such as the Los Angeles Times, Barrons, Moody's Bond Survey, and the Wall Street Journal.

The following steps are taken by the appraiser in an attempt to identify and select appropriate units of comparison to be applied to the subject property.

1. *Seek out similar properties for which pertinent sales, listings, offerings and/or rental data are available.*
2. *Qualify the price as to terms, motivating forces, and bona fide nature.*
3. *Compare each of the sales properties' important attributes with the corresponding ones of the property being appraised, under the general divisions of time, location, income, and physical characteristics.*
4. *Consider dissimilarities in terms of their probable effect upon the sale price.*
5. *Formulate an opinion of the relative value of the property being appraised as compared with the price of each similar property.*

**NOTE:** Data contained in this report comes from a multitude of sources, from observations made by the signing appraiser, and from information supplied by third parties. This data is not based on legal or guaranteed searches. The appraisal process is not an exact science, and some subjective judgment is involved. However, it is our belief that this report, and the data used herein, is reliable and accurate. The appraisal fee charged does not include assumptions of liability (by the appraiser) for the accuracy of the data. By accepting this report, said company or person(s) agree to hold the undersigned appraiser free and harmless from any claim(s) or liability from loss.

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## **SCOPE OF APPRAISAL - CONTINUED:**

### **Data Collection:**

The social economic, governmental and environmental data in relation to the region, city, and neighborhood were obtained from the County of Riverside, and sources as compiled by the Chamber of Commerce.

The flood and earthquake zones were obtained from Flood Data Services.

In order to support the marketing time and the discount and capitalization rates (if applicable), information from numerous sources and surveys were collected. In addition, numerous investors in the market have been interviewed.

### **Specific Data:**

Land sales, improved sales, and rental comparables were obtained from the following sources: FARES, SMITHGUIDE, CoStar, First American Title services, WINDATA2000, Dataquick Information Services, this appraiser's own files, broker interviews, and marketing time discussed with parties to sales or leases.

Planning, zoning, and building department information was considered. Zoning, permitted uses, specific plan areas, and use restrictions were verified with the appropriate planning department where possible. Status of entitlement, moratoriums, occupancy permits, required retrofitting, toxic substance abatement, conditional use permits, covenants and agreements, or other issues requisite to the development, occupancy, or continued use of the property were also discussed with the appropriate planning department. Data relative to any competitive product approved and pending was also verified with the appropriate planning department.

### **Site Inspection:**

The interior and exterior of the subject property were inspected on March 23, 2011. The appraiser has delineated the neighborhood boundaries for the subject and visited the major thoroughfares in order to analyze the land use characteristics of the immediate market area.

### **Valuation:**

Based on the market data gathered, the appraiser was able to determine the highest and best use of the subject "as if vacant" and "as improved". The identified land and improved sales comparables in each approach were confirmed with the buyers, sellers, or brokers in the market area. Detailed information regarding each comparable as well as photographs are presented in the data sheets. Adjustment grids contain charted and quantified adjustments that were discussed in the text.

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### **SPECIAL CONDITIONS, NUISANCES, OR HAZARDS:**

Our physical inspection of the site did not disclose any evidence of special conditions, nuisances, or hazards. It should be clearly understood that the appraiser is not an expert in this field, and no guarantees are implied or warranted. It is a condition of this report that the absence of any such hazard is presumed for valuation purposes. While the general statement must be made that the verified existence of any recognized hazardous substance could have a substantial negative effect on the value of the subject improvements as well as on their income-producing potential, any opinion of the impact of such a discovery on the value of the subject is deemed to be beyond the scope of this appraisal analysis.

The results of this appraiser's field inspection contain no express or implied warranties regarding the geological status of the subject or surrounding properties. The subject is located in Southern California, which contains numerous faults, and has a history of seismic activity. It is the contingent assumption of this appraisal that no known faults cross the subject site, and that the subject site is located a sufficient distance from the nearest fault zone, so as to make construction of any future improvements feasible from a soil engineering standpoint. State law prohibits the development of structures for human occupancy within 50 feet (minimum) of an active fault or fault zone.

No geological/hydrological surveys or toxic waste reports were provided for this appraiser's review. Any user of this report should verify by examination of documentation, title and policy search, the current status of the subject property. The subject is not located within a known landfill area.

It is assumed that the subject property is in full compliance with all applicable federal, state, and local environmental regulations and laws in regards to asbestos. The appraiser is not an expert in this field, and accepts no responsibility for such matters. It should be clearly understood that any costs to cure or alleviate asbestos problems could adversely affect the market value conclusions reached within this analysis. We reserve the right to adjust said conclusions if it is determined that asbestos abatement or removal would be necessary to continue to operate or market the existing property.

### **COMPETENCY PROVISION**

Aaron Gardner has prepared numerous appraisals, and retains an active database of information relating to land, apartments, commercial, retail, industrial, office, and religious facility markets in the Southern California area. He possesses the knowledge and experience to conduct the inspection and the analysis. He also possesses the reasoning necessary to accurately estimate the value of the subject property. In addition to extensive experience in the appraisal industry, he has personally appraised (and attended appraisal courses dealing with) a wide variety of property types and interests.

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## **VALUATION METHODOLOGY**

Typically, real estate can be valued by applying three approaches, i.e., Cost, Market, and Income.

### **COST APPROACH**

That approach in appraisal analysis which is based on the proposition that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility as the subject property. It is particularly applicable when the property being appraised involves relatively new improvements which represent the highest and best use of the land, or when relatively unique or specialized improvements are located on the site for which there exist no comparable properties on the market. The appraiser then develops the replacement cost of structures and appurtenances from the following sources: the ***Marshall and Swift Cost Handbook***, continual interviews with builders, and direct experience from the building of its own projects. The current assignment consists of the value of vacant land. Therefore the Cost Approach is not applicable in this analysis.

### **MARKET DATA APPROACH**

Traditionally, an appraisal procedure in which the market value estimate is predicated upon prices paid in actual market transactions and the price of current listings, the former fixing the lower limit of value in a static or advancing market (price wise), and fixing the higher limit of value in a declining market; and the latter fixing the higher limit in any market.

It is a process of analyzing sales of similar, recently sold properties in order to derive an indication of the most probable sales price of the property being appraised. The reliability of this technique is dependent upon (a) the availability of comparable sales data, (b) verification of the sales data, (c) the degree of comparability or extent of adjustment necessary for time differences, and (d) the absence of non-typical conditions affecting the sale price.

### **INCOME APPROACH**

That procedure in appraisal analysis which converts anticipated benefits (dollar income or amenities) to be derived from the ownership of property into a value estimate. The income approach is widely applied in appraising income-producing properties. Anticipated future income and/or reversions are discounted to a present worth figure through the capitalization process.

In essence, all approaches to value (particularly when the purpose of the appraisal is to establish market value) are market approaches since the data inputs are presumably market derived. However, the subject property consists essentially of vacant land. When dealing with land, buyers of such properties are not normally interested in the income that could be produced. Therefore, the income approach is not deemed an applicable approach to value in this analysis.

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**CERTIFICATION OF VALUE**

**PROPERTY APPRAISED**

Life Church Of God in Christ  
3260 Rubidoux Boulevard  
Riverside (Unincorporated County), California

**DATE OF VALUE**

March 23, 2011

**OPINION OF MARKET VALUE**

**"AS IS" VALUE OF SUNCAL EXPANSION LAND**  
**(APN: 179-130-004, 179-130-007, 179-170-005 AND 179-170-020)**  
**TWO MILLION THREE HUNDRED EIGHTY THOUSAND DOLLARS**  
**(\$2,380,000)**

**I HEREBY CERTIFY THAT TO THE BEST OF MY KNOWLEDGE AND BELIEF...,**

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, unbiased, professional analyses, opinions, and conclusions.
- The appraiser signing this report has prepared previous appraisal report of the subject property which was dated June 10, 2010. The appraiser does not have any prospective interest in the subject property or parties involved.
- My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the standards and reporting requirements of the Federal Home Loan Bank Board, and is also in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- Randall Wood, CA# AT031978 has provided significant professional assistance to the signatory in the preparation of this report.
- The Appraisal Assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

by:



Aaron Gardner, CA# AG005074  
Certified General Appraiser

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## **STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS**

This Appraisal Report, the Letter of Transmittal, and the Certification of Value are made expressly subject to the following assumptions and limiting conditions, and incorporated herein by reference.

1. Liability of Aaron Gardner, Appraiser and his employees is limited to the fee collected for the preparation of the appraisal. There is no accountability or liability to any third party.
2. The information contained in this report is considered to be from reliable sources, but its authenticity and accuracy are not guaranteed. The comparables used in this report have been inspected by the appraiser; and, as mentioned, the data came from sources considered reliable.
3. No opinion as to the title is rendered. Data related to ownership and legal description was obtained from county records and is considered reliable. Title is assumed to be marketable and free and clear of all liens, encumbrances, easements, and restrictions except those specifically discussed in the report. The property is appraised with the assumption that it is under responsible ownership and competent management.
4. Because a title policy was not made available to the appraiser; we assume no responsibility for such items of record not disclosed by his customary investigation.
5. The property rights appraised herein are considered to be in Fee Simple estate. That is a fee without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power, and taxation. Fee Simple is the largest state of inheritance a person can have.
6. Testimony or attendance in court or at any other hearing is not required by reason of rendering this appraisal, unless such arrangements are made a reasonable time in advance.
7. All existing liens and/or encumbrances have been disregarded and the property has been appraised as though free and clear, and under responsible ownership and competent management. Typical mortgage financing, as customarily secured for the type of property that is the subject of this appraisal, is considered, as is the favorable mortgage position, if any, as shown in the report.
8. The lot sizes as shown herein are considered reasonably accurate, but should not be construed as being exact.
9. Maps, plats, and exhibits included are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced, or used apart from the report.
10. No opinion is expressed as to the value of subsurface oil, gas, or mineral rights, or whether the property is subject to surface entry for the exploration or removal of such materials, except as is expressly stated.
11. The property is appraised with the assumption that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in the report is based, unless otherwise stated.
12. Information, estimates, and opinions furnished to the appraiser and contained in the report were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for the accuracy of such items furnished can be assumed by the appraiser.
13. The comparable sales data relied upon in the appraisal are believed to be from reliable sources. Though all of the comparables were examined from the exterior, it was not possible to inspect them all in detail. The value conclusions are subject to the accuracy of said data.
14. Disclosure of the contents of the appraisal report is governed by the Bylaws and Regulations of the professional appraisal organizations with which the appraiser is affiliated.
15. The use of this report is subject to the requirements of the professional organization with which the appraiser may be affiliated.

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## **STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS (CONT'D.)**

16. Neither all, nor any part of the contents of the report, or copy thereof (including conclusions as to the property value, the identity of the professional designations, reference to any professional appraisal organizations, or the firm with which the appraiser is connected), shall be used for any purpose by anyone but the client specified in the report, the borrower if the appraisal fee is paid by the same, the mortgage company or its successors and assigns, mortgage insurers, consultants, professional appraisal organizations, any state or federally approved financial institution, any department, agency or instrumentality of the United States or any State or the District of Columbia, without the previous written consent of the appraiser; nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media, without the written consent and approval of the appraiser.
17. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal, and are invalid if so used.
18. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless non-conformity has been stated, defined, and considered in the appraisal report.
19. No opinion is intended to be expressed for matters which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real property appraisers.
20. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described, and that there is no encroachment or trespass, unless noted within the report.
21. This appraisal should not be considered a report on the physical items that are a part of this property. Although the appraisal may contain information about the physical items being appraised (including their adequacy and/or condition), it should be clearly understood that this information is only to be used as a general guide for property valuation and not as a complete or detailed physical report. The appraiser is not an expert in the field of construction, engineering, or legal matters, and any opinion given on these matters in this report should be considered preliminary in nature.
22. The observed condition of the foundation, roof, exterior walls, interior walls, floors, heating system, plumbing, insulation, electrical service, and all mechanicals and construction is based on a casual inspection only. No detailed inspection was made. The structures were not checked for building code violations, and it is assumed that all buildings meet the building codes, unless so stated in the report.
23. Some items such as conditions behind walls, above ceilings, behind locked doors, or under the ground are not exposed to casual view, and therefore, were not inspected. The existence of insulation (if any is mentioned) was found by conversation with others and/or circumstantial evidence. Since it is not exposed to view, the accuracy of any statements about insulation cannot be guaranteed.
24. Because no detailed inspection was made, and because such knowledge goes beyond the scope of this appraisal, any observed condition comments given in this appraisal report should not be taken as a guarantee that a problem does not exist. Specifically, no guarantee is made as to the adequacy or condition of the foundation, roof, exterior walls, interior walls, floors, heating system, air conditioning system, plumbing, electrical service, insulation, or any other detailed construction matters. If any interested party is concerned about the existence, condition, or adequacy of any particular item, we would strongly suggest that a construction expert be hired for a detailed investigation.
25. No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area was taken from sources considered reliable, and no encroachment of real property improvements is considered to exist.
26. No detailed soil studies covering the subject property were available to the appraiser. Therefore, any premises as to soil qualities employed in the report are not conclusive, but have been discussed with the client and are considered consistent with information available to the appraiser. No responsibility is assumed for such conditions, or the engineering which may be required to discover such factors.
27. Since earthquakes are not uncommon in the area, no responsibility is assumed for their possible effect on individual properties, unless detailed geologic reports are made available.

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## **STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS (CONTD.)**

28. The principals of the transaction or entity for whom the report was prepared shall obtain a written statement from the appropriate regional office of the Federal Environmental Protection Agency or any similar Governmental department or agency that can indicate whether the subject property, or any site in the vicinity of the subject property, is, has been, or will be affected by any hazardous material. The materials may include, but are not limited to, asbestos, oil or other petroleum products, hazardous or nuclear waste, toxic substances or other pollutants which may contaminate soils or structures, or that could be detrimental to the subject property or in violation of any local, state, or federal law or regulation, and which would present any actual or potential adverse effect to the subject property. In the absence of a written statement from the appropriate governmental body or bodies having jurisdiction over this matter, the principals or entities in this transaction will provide a toxic or environmental audit from a qualified consultant which will address hazardous materials as heretofore described. In further absence of such, it is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws, unless non-compliance is stated, defined, and considered in the appraisal report. The appraiser is not an expert in the field, and accepts no responsibility for such matters.
29. The date of value to which the conclusions and opinions expressed in the report apply, is set forth in the report itself. Further, the dollar amount of any value opinion rendered in this report is based upon the purchasing power of the American dollar existing on that date.
30. The appraiser assumes no responsibility for economic or physical factors which may affect the opinions in this report that occur after the date of value.
31. The appraiser reserves the right to make such adjustments to the analyses, opinions, and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.
32. No termite inspection report was available. It is assumed that there is no significant termite damage or infestation, unless otherwise stated.
33. Furnishings and equipment or business operations, except as specifically indicated and typically considered as part of real estate, have been disregarded, with only the real property being considered.
34. It is assumed that the property which is the subject of this report will be under prudent and competent ownership and management, neither inefficient nor super efficient.
35. The fee for this appraisal or study is for the service rendered and not for the time spent on the physical report.
36. The Americans with Disabilities Act ("ADA") became effective July 13, 1992. The appraiser has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA in estimating the value of the property has not been considered.
37. Acceptance of, and/or use of, this appraisal report constitutes acceptance of the above conditions.

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## PERTINENT INFORMATION

### LEGAL DESCRIPTION:

The four parcels of land are situated in the State of California, County of Riverside. Please refer to the addendum for a complete legal description.

### Assessor's Parcel Numbers:

**Suncal Expansion Land -** 179-130-004: 337,590 square feet / 7.75 acres

179-130-007: 195,149 square feet / 4.48 acres

179-170-005: 69,696 square feet / 1.60 acres

179-170-020: 350.658 square feet / 8.05 acres

**Total site area: 953,093 square feet / 22.88 acres**

### SALES HISTORY:

Present Owner of Record – Suncal Emerald Meadows

Mailing Address – 2392 Morse Avenue, Irvine, California 92614

According to public records, the subject site is currently owned by Suncal Emerald Meadows. This property was previously owned by Life Church of God in excess of three years. Life Church of God entered into an agreement with the developer, Suncal Emerald Meadows, where they would trade this site for a larger 25 acre site located on the east side of this master planned development. It is our understanding that the subject property was involved in a transfer. However, the properties that were traded changed from the original agreement. We have not been provided with any further details regarding this transaction.

It should be noted that this site backs to a proposed master planned development known as Emerald Meadows which was in the final planning stages before financing problems put everything on hold at the end of 2008. The County approved the master planned project in September 2005. The proposed plan calls for the development of the 270 acre site with retail and residential uses including a central arterial loop servicing the various residential tracts. The proposed loop will be accessed from three surrounding streets and the development will side to Rubidoux Boulevard on the west and the Santa Ana River bed on the east. These vacant parcels are adjacent to the church's school facility and will be developed primarily with commercial uses per the proposed land use. Home Depot had committed to a 20 acre retail development to be built on this site. This type of development will positively impact the surrounding property values and overall appeal of this area if it is eventually carried out. The developer's financing for the project fell through when Lehman Brothers declared bankruptcy in September 2008. Infrastructure costs were estimated to be \$30 million and were to be paid for by the developer. With the state of the economy as it currently stands, it appears unlikely that the project can move forward at this time. Once the economy rebounds and financing can be secured, the project will be more viable.

AARON GARDNER, APPRAISER

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## **PERTINENT INFORMATION - CONTINUED**

### **ZONING:**

According to the county of Riverside Planning Department, the subject's sites have a mixture of zones including the following zoned R-3 (Multi-family Residential), and SP (Specific Plan). These zones are intended to provide for residential, commercial, and community uses.

### **ESTIMATED EXPOSURE TIME:**

Exposure is defined as the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market.

Source: Appraisal Standards Board (ASB) Statements 6 (SMT-6), issued on September 16, 1992

The Market Value estimate is based on the assumption that a reasonable time is allowed for exposure in the open market. A reasonable exposure time was estimated based upon market evidence including actual exposure times for vacant land parcels from within the subject's market area.

In addition, brokers active in this specific market were interviewed to determine their input in regards to the time required to sell a property similar to the subject. The brokers interviewed indicated the marketing time would primarily depend on the asking price and the price a buyer would be willing to accept. It was noted that vacant land parcels such as the subject have a limited market that is further restricted by the special purpose nature of their construction and use.

Based on the results of our research, it is anticipated that the estimated exposure time for the subject property is eighteen months.

### **ASSESSMENT AND TAX DATA:**

Assessor's Parcel Numbers:	2010-2011 Assessments:
179-130-004	\$11,278.40
179-130-007	\$7,126.44
179-170-005	\$2,560.98
179-170-020	\$2,935.90
<b>Tax Area:</b>	99037

Historically, real estate in California was assessed at approximately 25% of the actual value. A tax rate was then applied to compute annual taxes. In June 1978, Proposition 13 (State Initiative) was passed; setting a limit to the taxes of 1% of the full market value plus bonded indebtedness, and 2% per annum maximum for inflation was allotted.

## **PERTINENT INFORMATION - CONTINUED**

### **ASSESSMENT AND TAX DATA (continued):**

Under Article XIII A and the subsequent enabling and clarifying legislation that was passed by the legislature, there is an additional provision to allow for the assumption of existing bonded indebtedness. The following are some significant aspects of the law:

1. *If a parcel has not been further improved or sold or transferred since lien date of 1975, the Assessor established 1975 value as the base value plus 2% per annum inflation rate.*
2. *If a parcel has sold since March 1, 1975, base value was sale value plus 2% per annum since the time of sale.*
3. *If a new deed has recorded since March 1, 1975, its value at the time of transfer was established as base plus 2% per annum.*
4. *New construction in the form of an addition to existing property does not trigger reappraisal of the property. The cost of the new construction is added to the 1975 base.*
5. *Major remodeling or rehabilitation of said property initiates reappraisal.*
6. *A change in use of the property will trigger a reappraisal regardless of the amount of money expended to accommodate the new use.*
7. *Partial conveyances in a property will activate a reassessment of only the fractional interest conveyed as long as the interest is in excess of 5% and greater than \$10,000 in value.*
8. *If a property is committed to a lease for 35 years or longer, including option periods, it is considered a change of ownership and will be reappraised; however, properties sold or transferred that are subject to an existing lease with a remaining term of 35 years, including options, will not be subject to reappraisal.*
9. *If annual inflation as indicated by the CPI exceeds 2%, the assessed value will be increased by a maximum of 2% per year.*
10. *Senate Bill 813 (Chapter 438) provides for the reappraisal of real property upon the date of sale or a change of ownership or upon the completion of new construction. The act applies to changes of ownership and new construction completed on or after July 1, 1983. This is a substantial departure from previous practice where real property was assessed according to its full cash value as to the lien date of March 1, preceding the fiscal year for which the taxes are levied with any subsequent changes in ownership, or new construction resulting in a new increase in value on the following March 1. Such changes, therefore, were only reflected on the following year's tax bills. Chapter 438 requires a supplemental assessment to be made immediately.*

Based on the present economic and political climate in the state, plus the fact that no substantial changes in assessment practices or new voter approved bond issues are anticipated, it is this appraiser's opinion that this method for determining real estate taxes will continue into the foreseeable future. The property qualifies for a religious exemption, as a result of its intended use.

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## REGIONAL ANALYSIS - RIVERSIDE COUNTY

### LOCATION:

The discussion of the area and the facts that affect the real estate market is divided into three separate sections. The first section is a discussion of the county as a whole, the second is a discussion of the influences on the subject property's neighborhood area, and the third is a discussion of the subject site and the trends in the area immediately surrounding the subject.

The subject is located in the southern half of the state of California, in an area better known as the Inland Empire. The Inland Empire consists of both the Riverside and San Bernardino Counties which are part of a five county area that contain nearly half of the state's businesses. This area is known as the Los Angeles Metropolitan Area, and is one of the largest regions in the United States. It has experienced continued growth in population, employment, manufacturing, housing, retail sales and investment opportunities.

Nearly half of the economy of the state of California is concentrated in this five county area, although it represents less than five percent of the state's total land area. Approximately half of the state's businesses are located here, as well as over sixty percent of the manufacturers in the state. The following table illustrates the comparative size, in miles, of each county in this five county area:

Los Angeles County	4,752 square miles
Orange County	948 square miles
Riverside County	7,304 square miles
San Bernardino County	20,106 square miles
Ventura County	2,208 square miles
<b>Total Five County Area</b>	<b>35,318 square miles</b>

The subject's county of Riverside is the fourth largest county in the state of California and is located on the southern border of San Bernardino County. San Bernardino County is the largest county in the United States. About ninety percent of San Bernardino is desert; the remainder consists of the San Bernardino Mountains and Valley. Measuring almost two hundred miles across, its diverse topography ranges from fertile river valleys to rolling plains and foothills, from deserts below sea level to 10,000-foot mountain peaks.

The combined population of the incorporated cities within Riverside County and San Bernardino County reached 4.2 million at the beginning of 2011. The area's population count is larger than the Phoenix-Mesa area. According to the California Department of Finance forecast, the Inland Empire's population is growing at an average rate of approximately 1.3 percent per year.

Riverside was created from parts of San Bernardino and San Diego counties in 1893. The county's name derives from the city of Riverside, so designated when the upper canal of the Santa Ana River reached it in 1871. San Bernardino County was created from portions of Los Angeles, San Diego, and Mariposa counties in 1853. The county takes its name from the San Bernardino Mountains, named by Spanish explorers for their patron saint of mountain passes, Saint Bernard. The name "Bernardino" means "bold as a bear".

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## **REGIONAL ANALYSIS - CONTINUED**

### **TRANSPORTATION:**

Southern California has an extensive system of highways, railroads, airports, and deep water ports which offer industry a variety of means for efficient and convenient transport of raw materials and finished products. The transportation network provides easy connections and access to markets within California, as well as throughout the nation and the world. The current freeway system is under constant maintenance, and numerous additional freeway routes have been adopted or are under construction.

Countywide transportation is provided via an extensive freeway network along with rail and air transportation. The private automobile remains the primary and most used source of transportation. Comprising the third largest trucking and warehousing industry in the country, the area has approximately 80 commercial trucking companies in operation. Nearly all truck cargo entering or leaving Southern California passes through the Inland Empire. Several county and local Transit Districts supply bus service to major cities throughout the county and outlying areas.

Rail service is available to most industrial areas in the county. Located in the five county areas are some 15 different railroad companies. Since the completion of the most technologically advance rail terminal in the world, the number of container transfers has almost tripled. Providing links to the continental United States and Canada, these rail companies offer a variety of shipping facilities, transporting approximately 8 billion tons of freight from the area annually.

The Inland Empire is also serviced by several area airports, including Los Angeles International Airport, Ontario International Airport, and several smaller area or regional airports which provide passenger and freight service to most major cities in the country as well as the Southern California area. Ontario's International Airport is positioned as one of the busiest and fastest growing airports in the world, experiencing a phenomenal increase in air cargo.

### **INLAND EMPIRE - LOCAL ECONOMY:**

The Inland Empire is one of the fastest growing metropolitan regions in the Southern California market and in the nation. Remarkably, the Inland Empire now has a population larger than that of twenty-four individual states. Riverside County is the fastest growing county in the state of California. Riverside County ranks as the fourth highest populated county and San Bernardino County is now the fifth most populated county in the state. An essential factor behind this region's economic success has been the expansion into this area by a large number of firms, national and international, at a high monthly relocation rate. Much of the Inland Empire's business growth can be attributed to the vast amounts of available land and plenty of affordable real estate which makes it a prime area for local companies to expand.

However, the Great Recession has taken a higher toll on the Inland Empire than elsewhere. The labor market remains anemic when compared to the rest of California and the nation. This bleak situation contrasts with the robust period (between 1998 and 2008) when San Bernardino and Riverside Counties generated approximately 584,000 new jobs. The financial woes within the state of California have also affected the region. Lack of state funding will hurt the Inland Empire's efforts to effectively compete with other regions, states and countries for high-quality jobs. Because companies are highly mobile, economic regions are now more susceptible to an exodus of industries (and jobs) attracted elsewhere by the perception of greener pastures.

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## **REGIONAL ANALYSIS - CONTINUED**

### **INLAND EMPIRE - LOCAL ECONOMY (continued):**

According to a report by Beacon Economics, in the long run this current correction in the economy is for the best. The California and national economies will ultimately recover and emerge stronger. The fundamentals; technology, human capital, and infrastructure are still in place. Recessions are caused by market turmoil, but they are by definition finite in length. A higher consumer savings rate and a closed trade deficit will make the U.S. economy more balanced and healthier in the long-run. The painful part is the adjustment needed to get from here to there.

The stellar recovery at the twin ports had positive results for the Inland Empire's transportation and wholesale trade sectors in 2010, particularly in the latter half of the year. The area will begin to see even more positive results in the coming months. The Inland Empire plays a pivotal role as a distribution center for many of the goods flowing through the ports of Long Beach and Los Angeles. World trade volumes rose by 16 percent last year and are projected to increase by 6 percent in 2011. In fact, imports from Asia to the U.S. are expected to rise by nearly 8 percent in the coming year. Over forty percent of the containers that are imported into the United States come through the ports of Los Angeles and Long Beach. Roughly fifty percent of these imports are bound for Southern California. All of this will translate into positive results for the transportation and logistics sector in the Inland Empire.

The severe downturn of the Inland Empire economy brought migration into the area to a halt. Again, what formerly was a part of the Inland Empire's competitive advantage has become a detriment to recovery. Rapid population growth was one of the key economic drivers for the area. However, the economic recovery in 2011 should end the declines in migration, leading demand for housing, retail and services to grow again albeit very slowly.

Overall, economic conditions in the Inland Empire are projected to improve slightly over the coming year. Eventually, the region's competitive advantages will lead to a resurgence in economic activity. The availability of abundant undeveloped land had been the major economic driver propelling the area's economic growth. The recession reversed that advantage as the downturn negatively impacted the industries that most rely on cheap land. However, the Inland Empire will recover strongly when new home construction, manufacturing, industrial development and logistics make a comeback. However, in the short term, the only sector that will witness any real improvement is logistics and warehousing as trade volumes make a robust comeback.

### **JOB GROWTH:**

Total nonfarm employment dropped by -31,900 jobs in 2010. Construction employment continued to drop another -14.8 percent last year. This industry has been the hardest hit and is currently -57 percent below its peak in June 2006. Nonresidential construction is the one area that is expected to improve in 2011.

The other sectors that suffered the biggest job losses were wholesale and retail trade, state and local government, and manufacturing. All were impacted by the severe decline in employment, consumer spending, and the housing market. According to LAEDC, the only jobs that will be added next year will be in the health services, and leisure and hospitality industries.

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## **REGIONAL ANALYSIS - CONTINUED**

### **UNEMPLOYMENT:**

Currently, the unemployment rate for the Inland Empire region is the highest in the state as it reached 14.5 percent by the end of 2010. The rate is expected to drop to 14.1 percent by the end of this year. Persistently high unemployment has been really difficult for the Inland Empire to overcome, resulting in suffering retail sales.

The recovery in the Inland Empire will lag behind other parts of California and the United States. The good news is the dramatic declines have ended and it is expected to remain stable in 2011.

### **MAJOR INDUSTRIES:**

The major employment industries in the Riverside-San Bernardino County area are as follows:

RANK	INDUSTRY	EMPLOYMENT
1	Trade, Transportation and Utilities	24.15%
2	Government	20.09%
3	Professional and Business Services	11.20%
4	Educational and Health Services	12.16%
5	Leisure and Hospitality	10.91%
6	Manufacturing (Durable and Non-Durable Goods)	7.62%
7	Construction	5.13%
8	Financial Activities	2.42%

According to the California Employment Development Department, the total non-farm employment numbers indicated there was no growth last year. Job growth in the labor market is expected to increase by 1.5 percent in 2012.

### **MARKET ANALYSIS:**

The following information was compiled from the Grubb & Ellis Real Estate Company's Real Estate forecast, the CB Richard Ellis Real Estate Group, Southern California Real Estate Forecast, and the Burnham Forecast. Pertinent information was also obtained from Korpacz Real Estate Investor Survey and the Marcus & Millichap Real Estate Investment Brokerage Company Research Report and the LAEDC Los Angeles County Economic Development Corporation Report. The area considered here is the Inland Empire which is composed of the following 13 cities or areas: Chino / Montclair / Upland/ Ontario / Rancho Cucamonga / Fontana / Corona / Riverside / Moreno Valley / Colton / Redlands / San Bernardino and Victorville.

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## **REGIONAL ANALYSIS - CONTINUED**

### **MARKET ANALYSIS (continued):**

Throughout Southern California's history, there has always been a place with such powerful competitive advantages that its economy has expanded through good times and bad. Riverside and San Bernardino Counties provide direct access to one of the largest markets in the United States. Forty-seven percent of that market is within one hour of the Inland Empire. An excellent transportation system provides rapid movement of goods throughout the Pacific region accessing a market with an ever-increasing effective buying income. Over the next ten years, the area is expected to add another million people to its current population base that is over 4.2 million. This growth is second only to Los Angeles County, which is expected to grow by another 1.3 million people over the same period.

Corporate headquarters, professional firms, manufacturers and logistics firms are minutes from a less congested Ontario International Airport. International trade increased by \$1 billion during the 1990's. UPS has its Western U. S. Headquarters located at Ontario and has been awarded six weekly non-stop flights to the Mainland of China. Entrepreneurs and corporate operations can access high-speed fiber optic and wireless broadband capability in any office building or industrial site in the inland region. Manufacturers and distributors find that the Inland area has a relatively new and reasonably priced industrial space. Electrical power is reliable due to the three Inland plants that have been built and have secured long term supplies.

The Inland Empire recognizes the importance of attracting jobs to balance its population growth and has instituted policies to ensure that firms prosper locally. The San Bernardino County government works close with citizens, businesses, cities, educational systems and developers in the areas of financing, site selection, permit processing and other assistance. As California faces the economic difficulties as evidenced by the problems in the housing market, foreclosures and defaults on sub-prime mortgages, solutions are attempting to attract businesses once again into the area. There is a full spectrum of services dedicated to enhancing the quality of life and maintaining the region as an attractive place in which to live.

Stifling any upward momentum is the fear of a double dip recession, characterized by companies not hiring and consumers not spending. This has a trickle down effect to all commercial subtypes via flat absorption activity, declining rental rates and historically low property values as most investors sit on the sidelines wondering if prices have bottomed out. One aspect in investor's reluctance has been troubled assets. The Inland Empire had \$3.4 billion in distressed commercial assets as of September 2010. Retail led the list with \$1.3 billion in distressed properties. The hospitality sector had \$714 million in distressed properties and office properties followed with \$440 million. Industrial properties had the lowest level of distressed assets at \$207 million. Given the speculative construction in years past and the lackluster forecasts for white collar job growth, the office sector will be vulnerable in 2011.

It is expected that institutional investors with a desire to establish market share in the region will pursue top tier assets at prices well below replacement costs. In the big box industrial arena for instance, DEXUS Property Group, TA Associates Realty, Black Ridge and Alere Property Group LLC made significant moves in 2010 by approaching current owners directly. Investor interest will positively improve economic conditions in the area.

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## **REGIONAL ANALYSIS - CONTINUED**

### **MARKET ANALYSIS (continued):**

The only new construction projects of note are the 1.8 million square foot Skechers facility in Moreno Valley and Castle and Cook's new 520,000 square foot center in Riverside that is ready to be occupied. WinCo Foods is planning on building a two million square foot facility in Beaumont as well.

It should also be noted that forecasts indicate that LAX cannot handle the long term volume anticipated for Southern California. As a result, Los Angeles World Airways has picked a developer for a new one million square foot air cargo cross-dock at the Ontario airport and is working to convince carriers to divert their flights from Los Angeles. DHL has also relocated its air cargo handling capability to March Air Reserve Base. Hillwood has announced plans for a 240,000 square foot air cargo facility at San Bernardino International Airport. This expanded infrastructure will strengthen the logistics sector, and provide good paying jobs to the area.

The Inland Empire's economy will undoubtedly perform well in the long run due to its position as the central hub for logistics related to international trade and as the area where the most significant population growth is expected. Then, the key advantages for the Inland Empire will once again be the affordability of housing, population growth and available low cost land for additional warehouse construction. It is just a matter of time and patience, as the region is not expected to see the pre-recession glory days for at least three to four years.

### **OTHER KEY CALIFORNIA INDICATORS:**

--Among the nations of the world, the State of California's Gross Product ranking has dropped to number 9 behind the United States, China, Japan, Germany, France, United Kingdom, Italy and Brazil. The Los Angeles five-county area has a ranking of 16<sup>th</sup> in the world.

--The gross national product gains in the State of California have been consistently higher than the average gains within the United States. However, they were not nearly as high as in the emerging and developing economies like Indonesia, Brazil and China. With the nationwide slowdown, unemployment and the decline in the housing market, the percentage of GDP gains have slowed. A key factor will be how well the California and local economies recover in 2011.

--In spite of changes in the employment sector and the slowing in the economy, job growth is projected to start to improve in 2011 by 0.8 percent. Unemployment is expected to remain stubbornly high as businesses are cautious about hiring. However, economic conditions are expected to improve more noticeably in 2012.

--The weak U. S. dollar and the fluctuating gasoline prices are good news for the state's tourism industry. International travelers are expected to increase under these circumstances.

--California has experienced a deep recession, yet the near term outlook for the economy is better. Concerns over the budget, the deficit and taxes weigh heavily on the economy. Water supply, higher energy costs and environmental regulations continue to raise uncertainty within the current business climate.

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**REGIONAL ANALYSIS - CONTINUED****OFFICE MARKET:**

More than any commercial property subtype, a direct correlation can be made between the labor market and the demand for professional office space. In spite of minimal white collar job losses during 2010, the local core demand remained stunted. Frozen demand was compounded by the fact that the national average of office square feet per employee has decreased in recent years. Corporate tenants focused on space efficiency, which translated into annual net absorption hovering close to zero. At the end of 2010, the vacancy rate was at 24 percent (virtually unchanged from 2009) while monthly Class A and B asking rental rates dropped 5 and 7 percent, respectively over the same timeline.

Looking at 2011, the sector is braced to bottom out due to stagnation in its vacancy rate. Flat absorption figures, tenant downsizes and consolidations have progressively tapered off. Also, tenant profiles on par with 2010's economy – namely, for profit educators, federal government entities and medical related firms, stepped in to better serve one of the region's selling points: a 4.2 million population base. Such momentum will have a carryover effect into 2011 as companies favor Class A product, a subtype that was over built in past years, which will remain available at highly competitive effective rental rates. Of this product, a significant portion will be available for sublease at discounted rents. Expect the bulk of this user activity to be centered in the area's core business districts of Ontario, Rancho Cucamonga and Riverside.

New leasing activity will remain generally anemic through 2011 and the occasional consolidation moves will tug on absorption gains. Although local employment is estimated to grow by 1.2 percent this year, this will not be enough to trigger a recovery. In the end, this year will only be a slight improvement over 2010 since many local businesses are currently operating at skeleton crew capacity.

This year asking rental rates for Class A and B spaces are expected to realize a 3 and 4 percent decline, respectively. Minimal job growth in the Inland Empire will generate flat net absorption activity in the coming year. In other words, there is a 7-year supply of office space on hand. As a result, construction of new office space remains minimal.

Currently, the area with the most leasing activity and positive net absorption is Ontario. This is an access point to the coastal communities, where there is an international airport and new hotels. For instance, Gramercy Capital Corporation purchased three Ontario buildings, comprising the Waterside Center and University Plaza. The tenant profiles to watch for increased leasing activity are the for-profit educators, federal government entities and medical related firms.

OFFICE MARKET OVERVIEW	2010	2009	2008	% change vs 2009
Vacancy	18.43%	18.92%	18.47%	(2.59%)
Availability	21.72%	22.65%	22.21%	(4.11%)
Pricing	\$1.80	\$1.89	\$2.03	(4.76%)
Sale & Lease Transactions	2,759,802	2,445,216	3,238,120	8.43%
Gross Absorption	2,800,188	3,862,044	3,185,600	(27.49%)
Net Absorption	338,860	992,755	(197,716)	N/A

(Voit Real Estate Services Research, 4<sup>th</sup> quarter 2010)

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**REGIONAL ANALYSIS - CONTINUED****INDUSTRIAL MARKET:**

The industrial market in the Inland Empire is largely a national warehouse market oriented towards local ports and distributors. As a consequence of relying on supplying the local retail market, any softening in that sector naturally affects the demand for warehouse space. Nevertheless, in the long run, a strong connection to the ports of Long Beach and Los Angeles, and being located a reasonable trucking commute distance from Phoenix and Las Vegas, will continue to create demand. The number of imports at the ports has a direct affect on net absorption of new warehouse space.

Currently, retailers are closely monitoring their inventories and delaying increasing their purchase orders until mid-year or into 2012. This "wait and see" strategy will have a direct impact on world cargo volume growth projections, which are anticipated to record a 6 percent annual gain in 2011, falling short of last year's ten percent increase. Last year's higher growth rate was due to retailers replenishing their inventories after operating with just enough to stay in business.

The focus last year was on streamlining operating costs, which prompted significant movement of big box properties. By 2010's close, user sale and leasing activity surpassed 26 million square feet, which hinted at a strong performing market. However, this activity basically consisted of existing companies consolidating or relocating their operations. Net absorption gains came from user expansions such as Kohl's, who purchased a 970,000 square foot warehouse to support its growing e-commerce business. There were also some companies relocating from surrounding counties, like Summer Infant Incorporated who tripled its space by leasing a 459,000 square foot distribution center in Riverside.

The new year will present mixed tones. On the one hand, most retailers are reluctant to increase inventory orders based on lack luster consumer confidence figures in 2010, which limits demand. On the other hand, rents are at historical lows and sale and leasing activity was strong in 2010, in spite of the fact that the Inland Empire is Southern California's last stop for companies looking to establish massive distribution centers within reasonable proximity of one of the world's busiest ports. The first half of 2011 will be slow, but activity is projected to improve in the second half as cost effective distributors lease or purchase Class A buildings. With an ongoing moratorium on new speculative development, this new activity will cause the vacancy rate to decrease and net absorption to improve.

As a whole, warehouse rents are expected to stabilize later in the year as consolidation taper off. Signs of improvement within the industrial sector are expected in the coming year.

INDUSTRIAL OVERVIEW	2010	2009	2008	% change vs 2009
Vac. Rate below 100k SF	8.35%	9.50%	7.47%	(12.11%)
Vac. Rate above 100k SF	10.99%	13.01%	11.91%	(15.53%)
Total Vacancy Rate	9.99%	11.66%	10.20%	(14.32%)
Availability Rate	13.76%	16.73%	14.11%	(17.75%)
Average Asking Lease Rate	\$0.34	\$0.34	\$0.42	0.00%)
Sale & Lease Transactions	47,255,525	42,966,984	40,816,805	9.98
Gross Absorption	35,266,860	31,490,511	38,137,503	11.99%
Net Absorption	8,331,497	(594,735)	4,374,753	N/A

(Voit Real Estate Services Research, 4<sup>th</sup> quarter 2010)

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## **REGIONAL ANALYSIS - CONTINUED**

### **RETAIL MARKET:**

While the Inland Empire's economy will begin to show signs of improvement in 2011, soft conditions for retailers will linger as high unemployment and a battered housing market restrain space demand. With one of the highest unemployment rates in the country, anticipated job growth in the coming year will serve as a crucial first step to eventual recovery. However, it is likely to take a few years of more robust employment gains to fuel significant increases in retail spending. Taxable retail sales reached \$32.4 billion by year end, a 4 percent increase from 2009. Even though it was an improvement, the numbers were 20 percent below peak levels recorded from 2005 to 2007.

Consumers focused on necessity rather than discretionary purchases last year, increasing profitability at major discount retailers, including Wal-Mart, Costco, Kohl's and Forever 21. New jobs will be added in 2011, but hiring will be minimal. This will under cut consumer spending and moderate annual retail sales growth. Economists predict that the unemployment rate will remain in the double digits until late 2013. The area's average personal income is also of concern. According to the Brookings Institution, the poverty rate in the Inland Empire surged about 31 percent from 2007 to 2009. This validated the fact that the region was at the front lines of the Great Recession after its housing market collapsed.

Major retailers, such as Nordstrom, will tailor their stores' inventory to appeal to regional consumer demand. A focus on streamlining inventory orders, sales and store space efficiency will also evolve into new formats. For instance, Toys R Us opened four local Toys R Us Express stores that were operational during the 2010 holiday season. The outlets averaging 4,000 square feet, featured value oriented products unique to their locations as well as an abridged selection of items available in the company's traditional stores. Given the success of this demographic flexible format, Toys R Us will expand the Express model and some outlets will remain open year round.

The National Retail Federation estimated a 2.3 percent annual increase in holiday retail sales during 2010. This was better than last year and a drastic improvement over the year before. Although the U.S. economic outlook was generally lackluster during the second half of 2010, consumer spending was up. For 2011, the Inland Empire is anticipated to post \$34 billion in total taxable retail sales, up 5 percent from 2010. Total personal income is expected to grow by 4.5 percent as well. Though an improvement, "necessary over discretionary" will be a recurring theme in the coming year. Most Inland retail leasing activity in 2011 will continue to involve local businesses taking advantage of rare opportunities offered by high vacancy levels to either improve their location or readjust the size of their existing store rather than expand business.

Overall, the construction of new retail centers has been halted indefinitely. Vacancy levels have stalled at 11 percent. Asking rents will slide slightly by 0.5 percent this year and effective rents will dip 0.1 percent. The pace of closing sales is expected to gain momentum in 2011 as buyers expand holdings. Some investors view current price points as a rare opportunity to achieve outsized returns, but they will remain selective, preferring newer assets. As such, properties listed in Chino, Rancho Cucamonga and Ontario will clear the market quickly. Assets farther from major job centers will attract long term yield seeking buyers.

**REGIONAL ANALYSIS - CONTINUED****APARTMENT MARKET:**

The Inland Empire apartment market is expected to strengthen in the coming year as payroll expansion resumes. New construction has been constrained which will help to strengthen the market. The surge in apartment demand late last year stemmed from single family residential foreclosures and the mortgage crisis. However in 2011, job gains will become a primary driver of renter demand growth. Total employment will post net gains for the first time since 2006 and occupancies will continue to rise, led by strong absorption near dense job centers along the western boundary, like Ontario and Chino. As a result, concessions in properties near coastal counties will burn faster than in other parts of the Inland Empire as rents continue to recover. Elsewhere, large scale commercial projects in Moreno Valley, including the 6 million square foot March LifeCare campus and 1.8 million square foot Skechers distribution facility, will add thousands of construction jobs in 2011 and boost renter demand for nearby complexes. Challenges will linger, however, particularly in far reaching communities like Hemet, Victorville and Perris, where the threat of shadow rentals continues to moderate the pace of recovery.

Investment activity in the region will continue to improve in 2011 as long term hold buyers purchase bank owned assets. Opportunities to acquire distressed assets will remain prevalent. Demand for assets closer to Los Angeles County employment centers will outstrip supply, which barring a dramatic uptick in interest rates, will likely place downward pressure on yields as the year progresses. Asking rents declined -0.1 percent, but property managers trimmed concessions. Consequently, the average effective rent edged 0.1 percent higher.

The following chart compares rental rates and vacancy rates with their respective percentage of change over the last year.

SUBMARKET	3Q09 rent	3Q10 rent	Change	3Q09 vac	3Q10 vac	Change
Upland	\$1,021	\$1,003	-1.8%	9.7%	6.7%	-300 bps
North Ontario	\$1,103	\$1,007	-2.3%	6.3%	5.6%	-70 bps
South Ontario/City of Chino	\$1,246	\$1,240	-0.5%	7.7%	5.6%	-210 bps
Rancho Cucamonga	\$1,294	\$1,277	-1.3%	5.2%	4.8%	-40 bps
Fontana/Rialto	\$944	\$939	-0.5%	9.5%	7.9%	-160 bps
San Bernardino	\$778	\$765	-1.6%	9.4%	8.0%	-140 bps
Colton/Loma Linda	\$1,047	\$1,043	-0.4%	6.9%	5.8%	-110 bps
Riverside County/Corona	\$1,050	\$1,073	2.2%	6.3%	5.3%	-100 bps
Riverside/North Magnolia	\$937	\$952	1.6%	6.5%	5.2%	-130 bps
University City	\$977	\$949	-2.8%	9.0%	6.7%	-230 bps
Southwest Riverside County	\$1,065	\$1,114	4.6%	10.6%	8.9%	-170 bps
Victorville	\$728	\$709	-2.6%	9.9%	9.1%	-80 bps
Perris	\$845	\$845	0.0%	15.1%	14.8%	-30 bps
Palm Springs/Palm Desert	\$851	\$848	-0.4%	13.0%	11.2%	-180 bps
Hemet	\$708	\$719	1.5%	9.0%	9.0%	Unchg
<b>Metro</b>	<b>\$997</b>	<b>\$990</b>	<b>-0.6%</b>	<b>8.4%</b>	<b>7.1%</b>	<b>-130 bps</b>

(Red Capital Group, 4<sup>th</sup> quarter 2010)

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## **REGIONAL ANALYSIS - CONTINUED**

### **CONCLUSIONS AND TRENDS:**

As for the Inland Empire, there is little doubt that the current situation remains overcast. The recession in 2001 swept through the region's economy with hardly a glitch. It was caused by the abandon of the housing markets and continued consumer spending. Now those same strengths have become the area's greatest weakness. The pace of foreclosures in the Inland Empire is one of the highest in the nation, and the region is leading the state's economy into the current downturn. It is projected that the Inland Empire will take longer to recover than the rest of Southern California from this current recession. Housing prices are projected to stabilize in most areas of the Inland Empire this year. In some areas prices have reached levels not seen in twenty years. Riverside and San Bernardino counties have registered more defaults and foreclosures per capita during this economic downturn than any other Southern California county.

Overall, economic conditions in the Inland Empire are projected to improve slightly over the course of 2011. Some of the positive forces include the affordability of housing. Although home prices have rebounded slightly, housing affordability is much greater than before the recession. Housing prices in the area are expected to remain extremely affordable relative to earlier years and to the rest of Southern California. Trade volumes at the local ports have experienced an outstanding recovery and are expected to strengthen in the coming year. The healthcare, education and tourism sectors are all poised to improve as well.

The county is also moving forward with securing foreign investments. Several foreign firms are increasing their presence in the region, including the British supermarket giant, Tesco, which owns the Fresh and Easy chain, and the Canadian owned American Medical Response ambulance service. Riverside is also collaborating with Japan to commission a study on the effects of foreign direct investment in the county. According to the County's Board of Supervisors and the Economic Development Agency, it is believed that the study will generate more contact between the Inland Empire, especially the manufacturing and agricultural sectors, and foreign firms. Already there are bi-lateral agreements being reached with China and Croatia. Asian firms are also interested in establishing a place in the solar energy and renewable energy market. Eventually, the Inland Empire is expected to become attractive once again. The Inland Empire should resume healthy and more sustainable growth after weathering this storm.

In summary, the office market is expected to stabilize in the coming year. Tenants will have their choice of Class A spaces offered at discount rental rates. As buyers begin to pursue discounted assets, some of which are trading near replacement costs, demand is expected to improve.

Overall, the industrial market will see net absorption begin to slowly improve. As lenders start to dispose of distressed assets, investment activity is expected to increase. Lease rates are projected to remain flat while concessions should attract new tenants.

In summary, the retail market is expected to see grocers and discount retailers enjoy moderate sales growth in the coming year, as consumers focus on necessary rather than discretionary purchases. Consumer spending will improve slightly as the economy stabilizes.

In summary, the Inland Empire apartment market is expected to experience low levels of construction activity. The vacancy rate of apartments is expected to stabilize. With the local job market in turmoil, local residents will be unable to take advantage of affordable home purchases.

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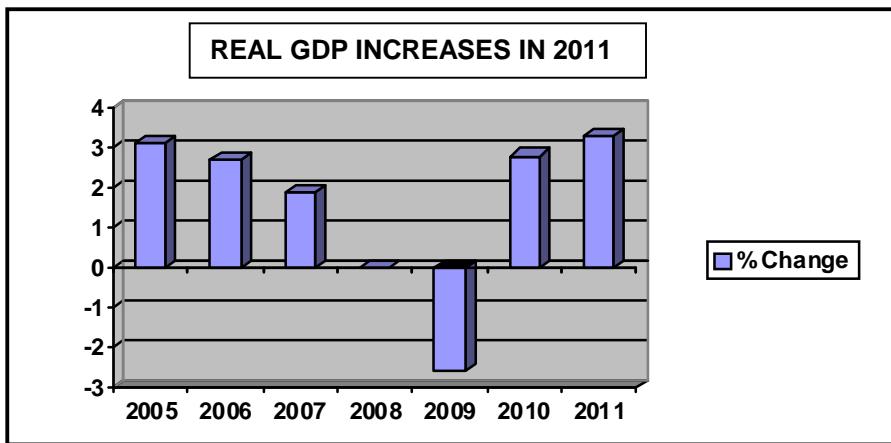
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## REGIONAL ANALYSIS - CONTINUED

### **2011 U. S. Economic Forecast:**

(Taken from the Chapman University, A. Gary Anderson Center for Economic Research)

- The Chapman forecast issued in December of 2010 indicated that the recovery will continue at a relatively slow pace in 2011, with a real GDP increasing by a modest 3.3 percent. While this would be the strongest growth since 2004, when real GDP increased 3.6 percent, it still pales in comparison to the rebounds that historically have followed deep recessions.



- The continuing mild recovery will be enough to generate 1.7 million net new jobs in 2011, which will cause the unemployment rate to drop about one percent to 8.6 percent by end of 2011.
- The construction industry is still mired in recession. Construction employment has dropped almost ten percent during the first six quarters of the recovery. Housing starts remain virtually flat at around 600,000 reducing real GDP by 2.6 percent compared to what it would have been if housing had come back as it did in previous recoveries following deep recessions.
- Despite high housing affordability and low mortgage rates, there will be no sharp rebound in housing next year. The forecast calls for housing starts to increase 7.2 percent, from 600,000 to 640,000 units. Homebuyers' concerns about unemployment and the ongoing problems in the mortgage industry coupled with a large excess supply of vacant units on the market, will constrain production of new homes.
- Projections call for a 4.6 percent increase in total investment spending in 2011. Because of high vacancy rates, nonresidential construction will be in worse shape than the residential sector. Investment spending will be fueled by inventory rebuilding and spending on plant and equipment.
- There will be no net increase in fiscal stimulus to quicken the pace of recovery. There is still about \$200 billion left of the \$780 billion stimulus package to be spent in 2011, but that will be about the same fiscal stimulus spent this year. Moreover, the changing of the guard in the House of Representatives is likely to stifle any new major thrust in government spending.

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**REGIONAL ANALYSIS - CONTINUED****2011 U. S. Economic Forecast (continued):**

- There will be positive, but very slight, net export growth of 1.8 percent in 2011. Fears of long run inflationary pressure, fueled by the Fed's actions in purchasing treasuries and mortgage backed securities, are likely to lead to further declines in the value of the U.S. dollar. While this will serve to make U.S. exported goods and services more competitive, it will also increase manufacturing costs.
- Consumer spending should increase a solid 3.2 percent next year. The forecast is that the new Congress will preserve the Bush tax cuts at least for the next few years, and rising home prices and recovering stock markets will improve consumers' balance sheets.
- After four consecutive years of decline, resale housing prices turned the corner in 2010, growing at a barely positive rate of 0.6 percent. The forecast expects continued improvement in 2011, with housing prices increasing 3.3 percent. Like new housing starts, home prices will be constrained by consumer anxiety as well as the significant overhand of vacant housing units on the market.
- The inflation rate is expected to remain basically unchanged, with the all items consumer price index increasing from a 1.6 percent growth rate in 2010 to 1.8 percent in 2011.
- The relatively weak recovery, along with the Fed's expansionary monetary policy, will keep short term interest rates, like the Fed funds rate and the 90 day treasury bill rate, near zero. Increased concerns about long run effects of the Fed's actions will push long term interest rates up about 100 basis points. The forecast calls for an increase in the 10-year treasury bond rate from 2.7 percent currently to around 3.9 percent by the end of next year.

<b>Key Indicators</b> <b>Average for the Year</b>			
	<b>2009 Actual</b>	<b>2010 Estimate</b>	<b>2011 Forecast</b>
Real GDP (% Change)	-2.6	2.8	3.3
Employment (% Change)	-4.3	-0.5	1.3
CPI (% Change)	-0.3	1.6	1.8
Housing Starts (% Change)	-38.4	7.7	7.2
Housing Prices	-11.9	0.6	3.3
Federal Funds Rate	0.2	0.2	0.2
Treasury Bill Rate, 90-Day	0.0	0.2	0.3
Prime Rate	3.3	3.3	3.3
Treasury Bond Rate, 10-Year	3.3	3.2	3.4
Mortgage Rate, 30-Year	5.0	4.7	5.0

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## **REGIONAL ANALYSIS - CONTINUED**

### **2011 Economic Forecast for the State of California:**

(Taken from the Chapman University, A. Gary Anderson Center for Economic Research)

- At the state and local levels, movements in payroll employment are generally used to gauge beginning and ending of recessions. California payroll peaked in July of 2007 at 15.2 million jobs and showed rapid declines through 2008 and 2009. By December 2009, payroll employment hit a trough at 13.8 million jobs. Based on this measure, the recession at the state level lasted 29 months with 1.4 million job losses, or a decline of 9.2 percent.
- The recovery in the job market began early this year. Since January 2010, California gained 47,900 (0.3 percent) payroll jobs compared to the U.S. job gains of 874,000 (0.7 percent). The relatively poor performance of California's economy compared to the U.S. in this business cycle is mainly due to weakness in three industries: construction, financial activities and professional and business services sectors.
- Many employees in the construction, financial, professional and business services sectors earn wages and salaries that are much higher than the average income in the state. As a result, sharp employment declines in these sectors negatively impacted income and spending growth and reduced California tax revenues, exacerbating the structural budget deficit.
- As of December 2010, the unemployment rate in the state of California was at 12.5 percent. The Inland Empire was hit the hardest when compared to many other regions of the state.

### **UNEMPLOYMENT RATE PERCENT**

Metropolitan Areas	October 2007	October 2009	December 2010
Inland Empire	6.2	14.6	14.5
Los Angeles	5.2	12.6	12.5
Ventura	5.2	11.1	10.9
San Diego	4.8	10.5	10.1
Orange County	4.1	9.6	9.6

- The positive trend in personal income and taxable sales growth should improve the states' general funds revenue, but the structural deficit will remain intact. The estimate shows that the state is facing a \$22 billion deficit in fiscal year 2011-12.
- The job recovery should positively affect housing demand with the expected rebound in income, low mortgage rates and lower home prices. This is helping to keep housing affordability at historical highs, leading to increased housing demand particularly for the first time home buyer.
- The forecast calls for the median resale single family home prices to increase 3.0 to 4.0 percent in California, mainly due to the changes in the mix of homes sold. Although the median price of homes has increased moderately, high inventories of relatively expensive homes suggest that further downward price pressure in this segment of the market is likely.

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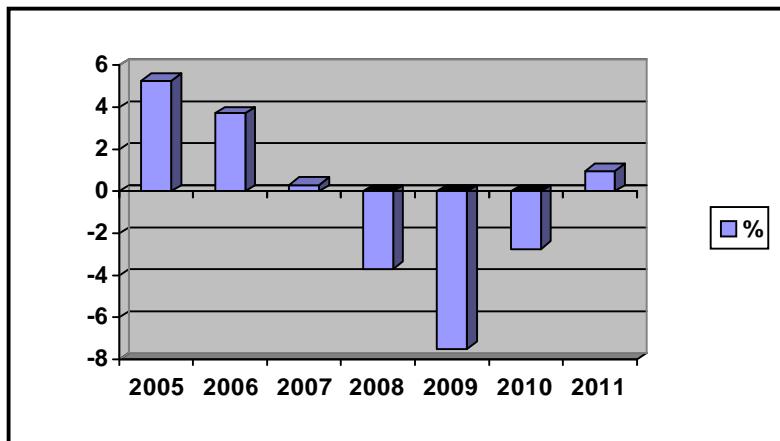
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## **REGIONAL ANALYSIS - CONTINUED**

### **2011 Economic Forecast for the Inland Empire:**

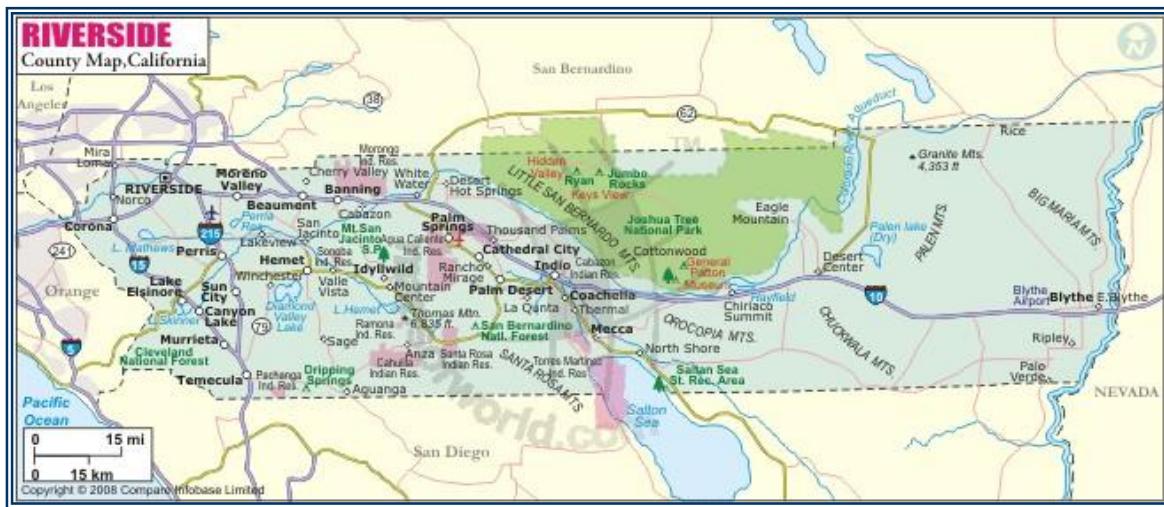
- The U.S. recession officially ended in the second quarter of 2009. On a year over year basis, California and the Inland Empire's job losses continued through 2010. In addition, contrary to previous business cycles, Inland Empire underperformed California's economy during this recession and during the recovery period. The recession led to a deep and protracted contraction in every sector of the economy.
- The construction sector was the main engine of job growth following the recession of 2001. This time, not only did the construction sector not generate any new jobs, it continued to lose jobs for an additional 18 months. Construction spending also declined rapidly with a year over year decline of over 46 percent between 2006 and 2009. Spending will continue to decline in 2011.
- The improvement in the consumer spending positively affects employment in the retail sector. But since the Inland Empire is an important distribution hub, employment in the wholesale trade, transportation and warehousing will benefit from the higher level of spending as well.
- As a result of the sharp drop in home prices, the ratio of median priced existing single family home to median family income will decline to about 3.5 in 2011. This trend has improved housing affordability in the Inland Empire and should increase demand, particularly for first time buyers.
- The inventory of resale homes will remain persistently high. There is a large existing shadow inventory held by financial institutions and there are still a number of homes that are moving through different phases of foreclosure process.
- The negative effects of high inventory on home prices will mostly offset the positive factors influencing demand. The forecast calls for the median resale prices to increase slightly, yet high inventories of relatively expensive homes suggest that further downward price pressure in this segment of the market is likely.
- Forecasted payroll job growth calls for an increase of 1 percent. This represents an average annual gain of about 12,000 jobs.

**PAYROLL JOB GROWTH**



## REGIONAL ANALYSIS - RIVERSIDE COUNTY AREA

Riverside County is the fourth largest county in the state, stretching nearly 200 miles across and comprising over 7,200 square miles of fertile river valleys, low deserts, mountains, foothills and rolling plains. Riverside County borders San Bernardino County to the north, Orange County to the west, and San Diego and Imperial Counties to the south. The Colorado River forms its eastern border. Riverside County extends approximately 14 miles from Orange County to the Colorado River.



Taking its name from the City of Riverside, the county was formed in 1893 from a small portion of San Bernardino County and a larger part of San Diego County.

Recent years have brought dramatic population growth to Riverside County. Between 1980 and 1990, the number of residents grew by over 76%, making Riverside the fastest-growing County in California. By 1992, the County was "home" to over 1.3 million residents which is more than the entire population of 13 states, among them Maine, Nevada, Hawaii, and New Hampshire.

The population of Riverside County was 1,545,387 in 2000, and by 2010 the U.S. Census Bureau estimated the population had risen to 2,139,000.

At roughly 180 miles wide in the east-west dimension, the area of the county is massive. Riverside County, California is roughly the size of the State of New Jersey in total area. County government documents frequently cite the Colorado River town of Blythe as being a "three-hour drive" from the county seat, Riverside. Some view the areas west of San Gorgonio Pass as the Inland Empire portion of the county and the eastern part as either the Mojave Desert or Colorado Desert portion. There are probably at least three geomorphic provinces: the Inland Empire western portion, the Santa Rosa Mountains communities such as Reinhardt Canyon and the desert region. Other possible subdivisions include tribal lands, the Colorado River communities, and the Salton Sink.

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## **REGIONAL ANALYSIS - RIVERSIDE COUNTY AREA - CONTINUED**

Geographically, the county is mostly desert. The majority of Joshua Tree National Park is located in the county. Because Riverside County lies inland of Los Angeles, large numbers of Los Angeles workers have moved to the county in recent years to take advantage of relatively affordable housing. Alongside neighboring San Bernardino County, it was one of the fastest growing parts of the Inland Empire prior to the recent changes in the regional economy. This spawned a wave of toll road construction in the area in the 1990s, starting with the addition of toll commuter lanes to the State Route 91 freeway, the main traffic artery to the western metropolitan area. In addition, smaller, but significant, numbers of people have been moving into southern Riverside County from the San Diego metropolitan area. The cities of Temecula and Murrieta account for 20% of increase in population of Riverside County between 2000 and 2007.

The famous resorts of the Coachella Valley such as Indian Wells, La Quinta, Rancho Mirage, Palm Springs and Palm Desert are located in Riverside County. Indio is the center of an important date growing region.

Riverside County has 12 federally-recognized Indian reservations, which ties it with Sandoval County, New Mexico for second most of any county in the United States. San Diego County, California is in first place with 18 reservations.

### **Major Industries and Commercial Activity**

Although Riverside's beginnings are steeped in agriculture, today the economy relies heavily on government, education, manufacturing, and retail; however, affordable land space and housing have been the attraction to employees and skilled laborers to the city.

In recent years, Riverside has placed a major emphasis on expanding its technology areas by developing high-tech industrial business parks. For example, the city, county, and University of California at Riverside all cooperate within the 856-acre Riverside Regional Technology Park. The complex offers a high-speed fiber optic telecommunications system that supports voice, video, and data information. Bourns Engineering and I/O Software, Centrum Analytical labs, and Luminex Software, Inc. have all chosen Riverside for new headquarters operations. Riverside also has taken strides in developing its industrial and manufacturing sectors. In the last 10 years, Riverside has attracted more than 125 industrial employers, according to the city's Development Department. Riverside's light manufacturing base now includes such sectors as electrical instruments; plastics; wood, glass, and metal fabrication; food processing; recreational vehicles; and imaging equipment.

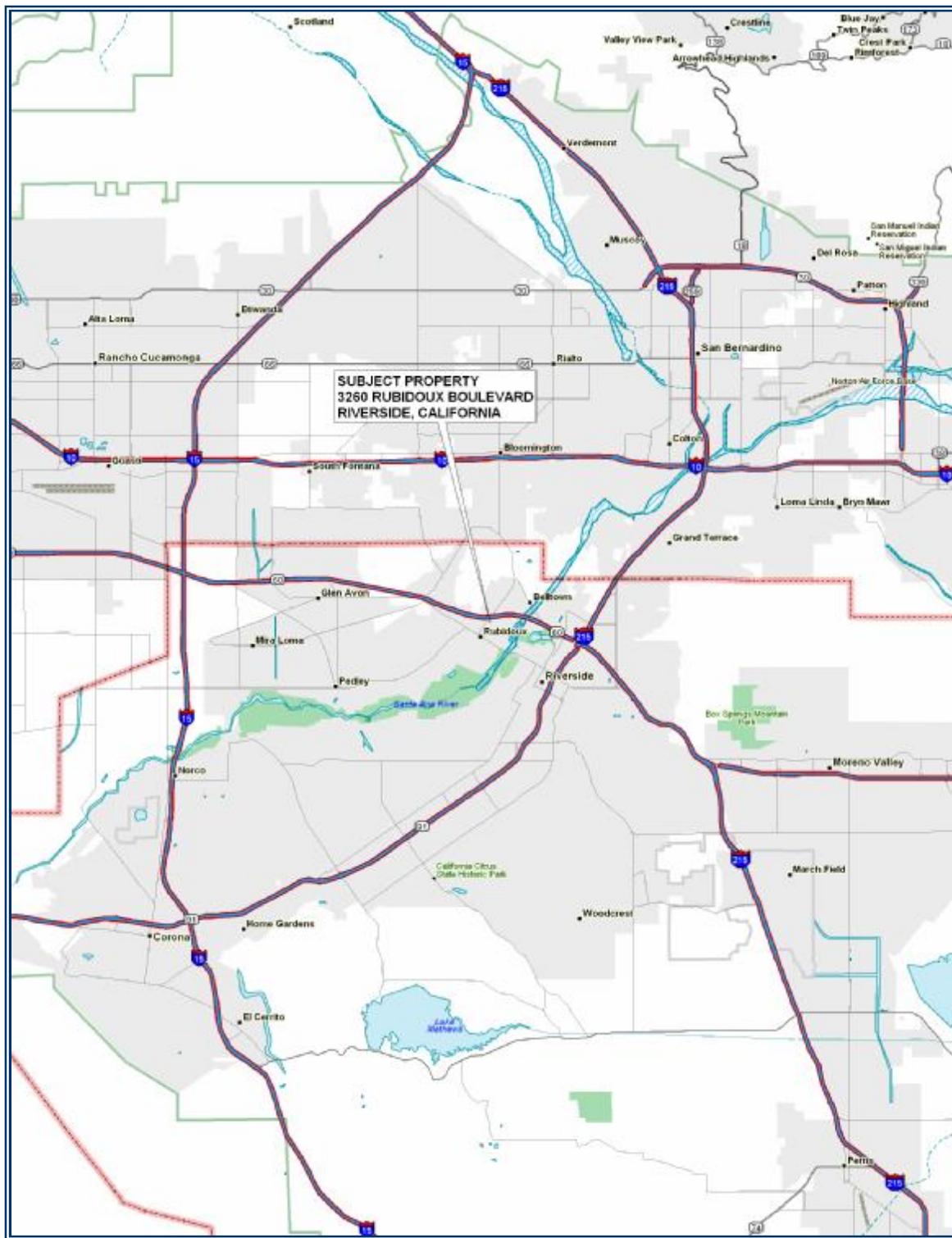
Riverside also hopes to see huge economic growth with the addition of shipping company DHL to its fold. The \$18.6 billion company chose the March Air Reserve Base as its West Coast hub over two other Inland Empire locations.

Items and goods produced in the county include: electrical instruments; plastics; wood, glass, and metal fabrication; recreational vehicles; food processing; aircraft parts; motorcycle parts; citrus-packing; precision plastic injection molders; home furniture; and medical imaging equipment.

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## AREA MAP



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## **ECONOMIC AND NEIGHBORHOOD FORCES - RIVERSIDE**

### **History:** *(City of Riverside)*

Founded in 1870 by John North and a group of Easterners who wished to establish a colony dedicated to furthering education and culture, Riverside was built on land that was once a Spanish rancho. Investors from England and Canada transplanted traditions and activities adopted by prosperous citizens: the first golf course and polo field in Southern California were built in Riverside. The first orange trees were planted in 1871, but the citrus industry Riverside is famous for began two years later when Eliza Tibbets received two Brazilian navel orange trees sent to her by a friend at the Department of Agriculture in Washington. The trees thrived in the Southern California climate and the navel orange industry grew rapidly.

Within a few years, the successful cultivation of the newly discovered navel orange led to a California Gold Rush of a different kind: the establishment of the citrus industry, which is commemorated in the landscapes and exhibits of the California Citrus State Historic Park and the restored packing houses in the Downtown's Marketplace district. By 1882, there were more than half a million citrus trees in California, almost half of which were in Riverside. The development of refrigerated railroad cars and innovative irrigation systems established Riverside as the wealthiest city per capita by 1895.

As the city prospered, a small guest hotel designed in the popular Mission Revival style grew to become the world famous Mission Inn, favored by presidents, royalty and movie stars. Postcards of lush orange groves, swimming pools, and magnificent homes have attracted vacationers and entrepreneurs throughout the years. Many relocated to the warm, dry climate for reasons of health and to escape Eastern winters. Victoria Avenue with its landmark homes serves as a reminder of European investors who settled here.

Riverside's citizens are proud of the city's unique character born from a tradition of careful planning, from its carefully laid out historic Mile Square to its 1924 Civic Center designed by the same planner responsible for San Francisco's, Charles Cheney. Through the City's Office of Historic Preservation, it is committed to preserving the past as a firm foundation for the future. Over 100 City Landmarks, 20 National Register Sites and 2 National Landmarks have been designated by the City Council, all offering enjoyment and education to city residents and visitors.

Riverside is fortunate to have a wealth of sites and buildings that provide a link to the city's past and a strong sense of place. This is the result of the hard work and careful planning of the city's Historic Preservation Program. Created by the City Council in 1969, it identifies and advances the preservation of Riverside's historic neighborhoods, and civic and commercial resources. Examples include the Mission Inn, the Chinatown site, the National Packing House, Citrus Experiment Station and engineering feats like the Gage Canal. Many of these landmarks are found in the Downtown's Mission Inn Historic District. California's Mission Revival style, born in Riverside, can be seen throughout the City, most notably in the Mission Inn, the Municipal Auditorium, First Church of Christ Scientist, and the Fox Theater, home of the Riverside Film Festival.

The Inn was developed from the Glenwood Tavern, owned by Captain Christopher Columbus Miller, who moved to Riverside in 1874 to survey land for the Gage Canal, which brought water to Riverside. His son Frank developed a lasting interest in culture and the arts and took over the expansion of the Inn. Over the years he embellished and expanded it into a unique resort known

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## **ECONOMIC AND NEIGHBORHOOD FORCES: RIVERSIDE - continued**

### **History - continued:** *(City of Riverside)*

all over the world. It has played host to numerous movie stars, musicians and heads of state. The Reagan's honeymooned there, the Nixon's were married on its grounds. Teddy Roosevelt planted a tree in its courtyard, and a special chair built for 300 pound William Howard Taft when he visited is still in the Inn's collection.

The unique City Raincross Symbol is derived from combining a replica of the mass bell used by Father Junipero Serra, missionary priest and founder of the California Missions, and the cross to which the Navajo and Central American Indians prayed for rain. The "Raincross" is used extensively throughout Riverside in its architecture and is on the city flag.

The raincross symbol was designed for the Mission Inn and given to the city by Miller, has been identified with Riverside since 1907. Playing on the nostalgia for the state's Spanish heritage and the romanticized images of the missions and the Indians portrayed by Helen Hunt Jackson in her novels, Miller, Matthew Gage, the Sunkist Cooperative, the Santa Fe Railroad and other city boosters worked together to market Riverside as a Spanish Mediterranean Mecca. Riverside's climate and landscapes continue to evoke this Mediterranean paradise. There is a strong community support for historic preservation. The city reveres its past and has built on that firm foundation.

### **Demographics:**

<b>Population</b> (2009):	300,430
Households:	96,007
Families:	67,402
Average Household Size:	3.06
Median Age:	30.2

### **Income**

Average Household Income: \$69,611

### **Higher Education**

Student Population (est.) 50,000

Institutions of Higher Learning

University of California, Riverside; California Baptist

University; La Sierra University; and Riverside Community College

### **New/Existing Home Sales**

Median Home Price (Jan 2009) \$201,250

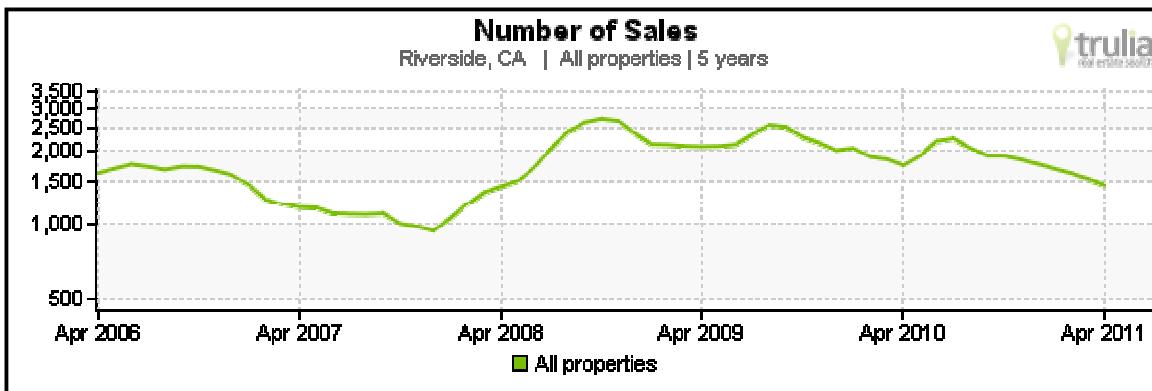
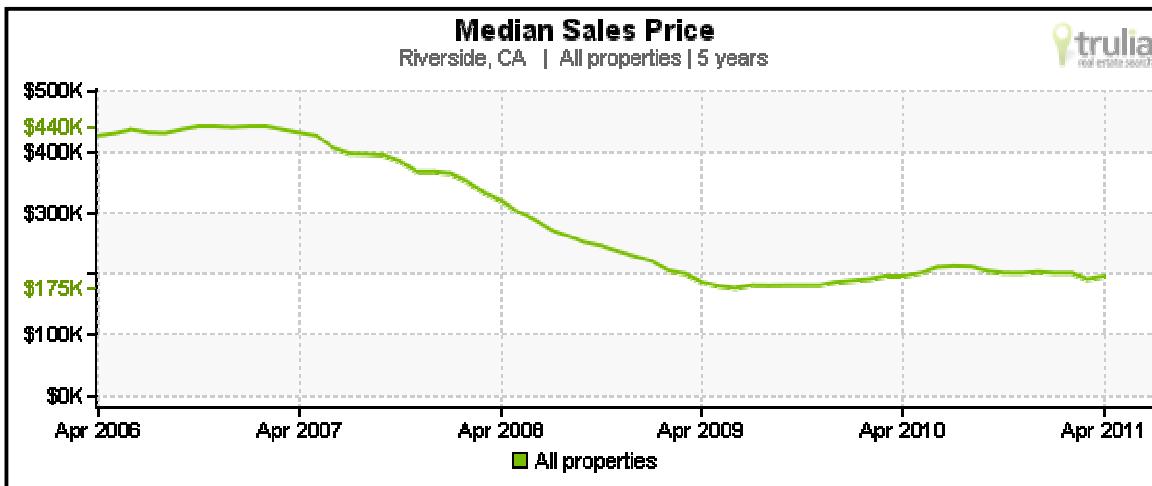
(resale single family residences, condos and new homes)

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## **ECONOMIC AND NEIGHBORHOOD FORCES: RIVERSIDE - continued**

### **Market Trends in Housing for Riverside:**



No. Bedrooms	Jan - Mar '11 y-o-y	3 months prior	1 year prior	5 years prior
1 bedroom	\$95,000	0.0%	\$77,025	\$270,000
2 bedrooms	\$115,000	0.0%	\$125,000	\$323,000
3 bedrooms	\$184,500	+3.8%	\$176,000	\$400,000
4 bedrooms	\$241,510	-3.1%	\$246,150	\$494,500
<b>All properties</b>	<b>\$195,000</b>	<b>0.0%</b>	<b>\$200,000</b>	<b>\$425,000</b>

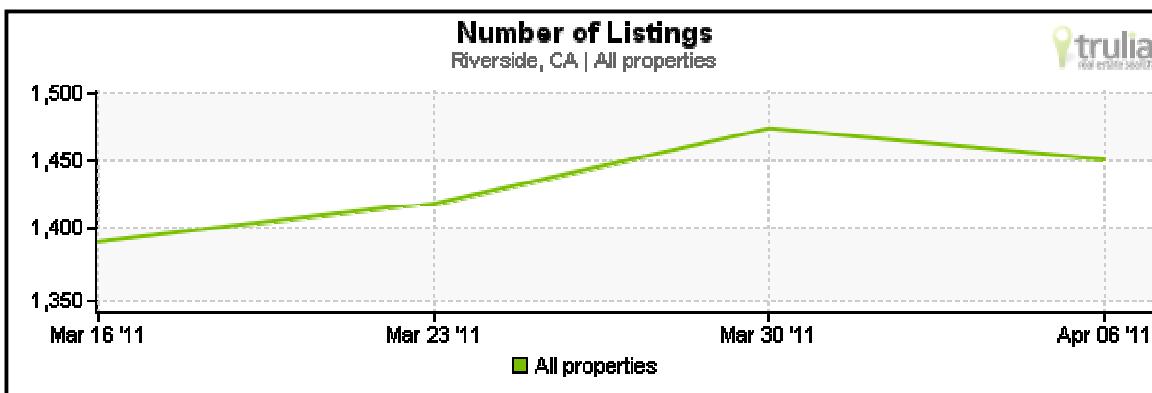
The median sales price for homes in Riverside California for January 11<sup>th</sup> to March 11<sup>th</sup> was \$195,000. This represents a decline of 2.5%, or \$5,000, compared to the prior quarter and an increase of 0% compared to the prior year. Sales prices have depreciated 54.1% over the last 5 years in Riverside.

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## ECONOMIC AND NEIGHBORHOOD FORCES: RIVERSIDE - continued

### Market Trends in Housing for Riverside (continued):



No. Bedrooms	Week ending		Week ending Mar 30	Week ending Mar 23	Week ending Mar 16
	Apr 6	w-o-w			
1 bedroom	\$79,294	-2.4%	\$81,253	\$81,776	\$80,148
2 bedrooms	\$122,592	-1.9%	\$124,909	\$126,436	\$127,990
3 bedrooms	\$197,515	+0.1%	\$197,329	\$195,668	\$195,701
4 bedrooms	\$283,078	+1.1%	\$280,066	\$283,409	\$289,365
All properties	\$244,604	+0.5%	\$243,465	\$244,802	\$246,937

The average listing price for Riverside homes for sale on Trulia was \$244,604 for the week ending April 6<sup>th</sup>, which represents an increase of 0.5%, or \$1,139, compared to the prior week and a decline of 0.9%, or \$2,333, compared to the week ending March 16<sup>th</sup>. Average price per square foot for Riverside CA was \$131, a decrease of 19.6% compared to the same period last year. Popular neighborhoods in Riverside include Canyon Crest, La Sierra, Orangecrest, Ramona, Magnolia Center, and Wood Streets.

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## **ECONOMIC AND NEIGHBORHOOD FORCES: RIVERSIDE - continued**

### **Demographics (continued):**

#### **Retail Sales**

Taxable Sales (2007) \$4.8 billion  
Taxable Sales Growth (2003-2007) 126%  
Taxable Sales (per capita, 2007) \$16,122

#### **Employment**

City of Riverside  
Total Jobs (Q2 2008) 160,866  
Total Workforce (Q2 2008) 162,600

#### **Transportation Corridors & Facilities**

I-215, 91 (Riverside) and 60 Freeways  
Riverside Municipal Airport  
BNSF and UPS railroads  
UPS (Ontario International Airport)  
Federal Express Ground (Rialto)  
Ontario International Airport- Southern California's second largest air cargo  
& second busiest air passenger facility

#### **Climate**

Winter - Average High - 66 degrees  
Summer - Average High - 94 degrees

#### **Job Creation:**

Though the last two years have been challenging, Riverside has actually welcomed an impressive list of new businesses bringing over 3,000 jobs to the community. Even now, the City is working with companies that could supply as many as 880 additional new jobs.

Business growth in Riverside has been a cross-section of many industries. The City has welcomed new manufacturers such as Tesco, the parent company of Fresh & Easy, and their supply partners Wild Rocket Foods and 2 Sisters Foods that have brought over 1,500 jobs to the area. In addition, longtime local company CCI is in the process of an expansion that doubles the number of their employees this year. New entrepreneurial, high-tech and professional services companies such as Omni Platform, Citrus Research Board and Paychex payroll services recently chose Riverside as well. Of course many well-known retailers and restaurant chains have been drawn to Riverside over the last two years also, including Yard House, Elephant Bar, BMW Motorcycles, Sprouts Farmers Market, Coach and the area's largest H&M and Forever XXI clothing stores.

These numbers tell an important and encouraging story about the resilience of Riverside's economy - offering clear evidence that the City of Riverside is emerging from the recession as an Inland Empire leader with a bright economic future.

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## **ECONOMIC AND NEIGHBORHOOD FORCES: RIVERSIDE - continued**

### **About Riverside:**

Riverside is strategically located at the crossroads in Southern California offering a blend of small-town charm and hospitality with the vision, energy, and innovation of a rapidly developing metropolitan area. The City's commitment to maintaining quality of life amenities is demonstrated by the Riverside Renaissance, a \$1.68 billion dollar investment in Riverside's future, making it the most ambitious public investment program in Riverside's history. The Renaissance is responsible for improving traffic flow; replacing necessary infrastructure; and expanding and improving police, fire, parks, library and other community facilities that enhance the general quality of life for residents, businesses and visitors. Riverside Renaissance ensures Riverside's position as the capital city of the Inland Empire.

With a population of more than 300,000, the City of Riverside is ranked as the 12th largest city in California and the 6th largest city in Southern California. Riverside is home to four nationally recognized higher education institutions, supporting a student population of more than 50,000.

Riverside is a City that captures the true essence of community.

- Ranked among top American cities for the "Playful City USA" award, 2008
- Designated as the first Emerald City in California by the California Department of Conservation
- Named by America's Promise Alliance as one of the Best 100 Communities for Young People

### **Other Interesting Facts:**

- Riverside was incorporated on October 11, 1883.
- In 1953, a new City charter provided for the Council-Manager system of government. Copies of the Charter are available at all City libraries.
- Riverside's colors are blue and gold
- The Bell and Cross from the world-famous collection of the Mission Inn became the official symbol of Riverside in 1968.
- Riverside's flag has the official symbol of the Bell and Cross (Raincross) on a background of blue and gold.
- Riverside's official flower is the rose.
- Riverside's Sister Cities are Sendai, Miyagi, Japan; Cuautla, Morelos, Mexico; and Ensenada, B.C., Mexico.

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## **ECONOMIC AND NEIGHBORHOOD FORCES: RIVERSIDE - continued**

### **Quality of Life:**

Residents enjoy a wide variety of quality of life amenities such as ballet, symphony, art, museums, theater, fine dining, and shopping which includes everything from downtown shops and boutiques, the newly remodeled Riverside Plaza to the bustling Galleria at Tyler regional shopping center. Riverside has devoted an increasing amount of community resources to education, parks, and law enforcement.

The City of Riverside has 44 parks covering a total 2,701 acres, allowing one acre of parkland for each 108 residents. Eight new parks are currently under construction as a part of the Riverside Renaissance Program to create an additional 235 acres of recreational space. The City's parks encompass wilderness areas, the UCR Botanical Gardens, the California Citrus State Historical Park, beautiful Fairmount Park with its large central lake, plus many neighborhood parks with extensive facilities for individual and team sports, as well as family outings.

Riverside's Park, Recreation and Community Services Department provides extensive youth programs including classes in educational fundamental and computer skills plus recreational offerings such as karate, scuba, and ice-skating. Young people have access to a wide range of age group competitive sports including football, basketball, baseball, soccer, and tennis.

### **Sporting and Other Outdoor Activities**

- Golfing-6 public and 3 private courses
- Ice Skating/Ice Hockey Rinks
- Skydiving Big League Dreams
- Riverside Bicycling-Riverside trails connect the "Crest to the Coast" along the Santa Ana River
- UCR Botanical Gardens Parks-Riverside is home to 44 city parks featuring a variety of amenities
- Health Clubs-Twelve located in the City of Riverside
- Castle Park
- Mountain Resorts, desert landscapes, and beach communities all within an hour drive

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## **NEIGHBORHOOD ANALYSIS**

The city of Riverside is located in the western portion of the county of Riverside. The subject property is located in the unincorporated county portion of the city of Riverside to the south of the Pomona (60) Freeway in the Jurupa Community. The subject's sites are parcels of land located in a residential and commercial development within the unincorporated portion of Riverside.

The subject property is located on Rubidoux Boulevard, and is one block south of the Pomona (60) Freeway. Downtown Riverside is located within a five minute driving distance to the southeast. Mission Boulevard, an east/west arterial, which extends to the neighboring Los Angeles County is located approximately two blocks south of the subject property. The Santa Ana River extends in a northeasterly direction and is located one mile to the east.

The subject property consists of several parcels of land located on the west and east side of Rubidoux Boulevard, north of 34<sup>th</sup> Street and south of Pomona (60) Freeway. Rubidoux Boulevard extends from Mission Boulevard to the south to the Riverside/San Bernardino County border where it changes names to Cedar Avenue. This is a major north/south arterial street in the neighborhood.

### **Transportation:**

The neighborhood is well served with an adequate and well-diversified transportation network comprised of major arterials and surface streets. The South Pacific Railroad and the Santa Ana River are located in the neighborhood.

### **Freeways:**

The area is served by the Pomona (60) Freeway, which is located approximately one block north of the subject property. The Riverside (91) Freeway is located two and one half miles east of the subject and provides access to the county's freeway network.

### **Major Arterials:**

This portion of the county is well served by several major arterials: most notable among them are Rubidoux Boulevard, Main Street, Market Street, Mission Boulevard and Limonite Avenue. These streets are primarily commercially and industrially improved. The remaining streets are mostly secondary streets, which have primarily residential uses, secondary streets include residential uses. These streets connect the city with neighboring cities and neighborhoods in the area.

### **Airports:**

The area is well served by air transportation. The primary airport is the Ontario International Airport, which is located approximately seven miles east of the subject. This is a large airport, which is a well-equipped airport that houses nearly all of the world's largest airlines.

### **Utilities:**

Water Supply:	Public Utility
Sewer Service:	Public Utility
Natural Gas:	Southern California Gas Company
Electricity:	Southern California Edison

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## **NEIGHBORHOOD ANALYSIS - CONTINUED**

### **Surrounding Land Uses:**

Principal land uses in the vicinity include Santa Ana River, Flabob Airport (for local air craft), Jurupa Hills Wildlife Regional park, Fairmount Park Gold Course, Emerald Ranch Horse Farm, the Jensen/Alvarado Historic Ranch and Museum, and the Santa Ana River Wildlife area. The sprawling University of California at Riverside campus is located four and a half miles to the east along the 60 and the 215 Freeways. Other major uses nearby include the Box Springs Mountain Reserve, lake Evans, the Sycamore Canyon Wilderness Park, and the vast March Air Force Base.

The immediate vicinity reflects a mixed land use composition, including several apartment complexes, older single family homes, the Arbuckle School and Riverside Industrial Center. There is a California Neighborhood Correctional Facility located just north of the subject, along Rubidoux Boulevard. Rubidoux Boulevard also contains some neighborhood retail stores, fast food restaurants, furniture stores, service station, a fire station, and office uses. One of the area's principal shopping corridors is located along Mission Boulevard and includes the Mission Plaza Shopping Center, a number of retail shops, automotive parts stores. The largest retail center outside of Tyler Galleria Mall is the De Anza County Plaza. Major tenants include Super K-Mart, Stater Brothers Market, and a multi-screen cinema complex.

The area directly east of the subject contains several marginal industrial uses, agricultural uses including a horse ranch, several churches and single family homes. Downtown Riverside is located within five minutes driving distance. Mount Rubidoux Park and Riverside Community College are also located within three and a half miles of the subject. Emerald Meadows Ranch, a long time, race horse training farm located east of the subject has been purchased by a developer. The development company is in the process of obtaining approval to construct a major planned unit development consisting of commercial and residential uses. The proposed plan calls for the development of the 270 acre site with a central arterial loop servicing the various residential tracts. The proposed loop will be accessed from three surrounding streets and the development will side to Rubidoux Boulevard on the west and the Santa Ana River bed on the east. However, the developer's financing for the project fell through when Lehman Brothers declared bankruptcy in September 2008. Infrastructure costs were estimated to be \$30 million and were to be paid for by the developer. With the state of the economy as it currently stands, it appears unlikely that the project can move forward at this time. Once the economy rebounds and financing can be secured, the project will be more likely to continue.

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## **CONCLUSION OF NEIGHBORHOOD ANALYSIS**

The neighborhood is showing signs of economic stability. The area enjoys a good location in terms of freeway proximity, and an average location in terms of community services. It is our opinion that the subject property is located in an area of viable residential and commercial uses. A master plan for the subject's site and the surrounding parcels is being prepared for submittal to the city. The economic climate is such that continued development and re-development of the area is likely in the foreseeable future.

Typically, a neighborhood realizes three stages in its existence. The earliest is growth, and a change in land use patterns occurs, many times from agricultural to commercial or residential. At some point stability occurs, wherein the majority of lands are developed and a certain economic maturity is present.

This second period of stability is hopefully the longest lived of the three periods described. The third period is one of decline. This period is typically accompanied by economic decline, the lack of maintenance in property values, and an increase in overall crime levels.

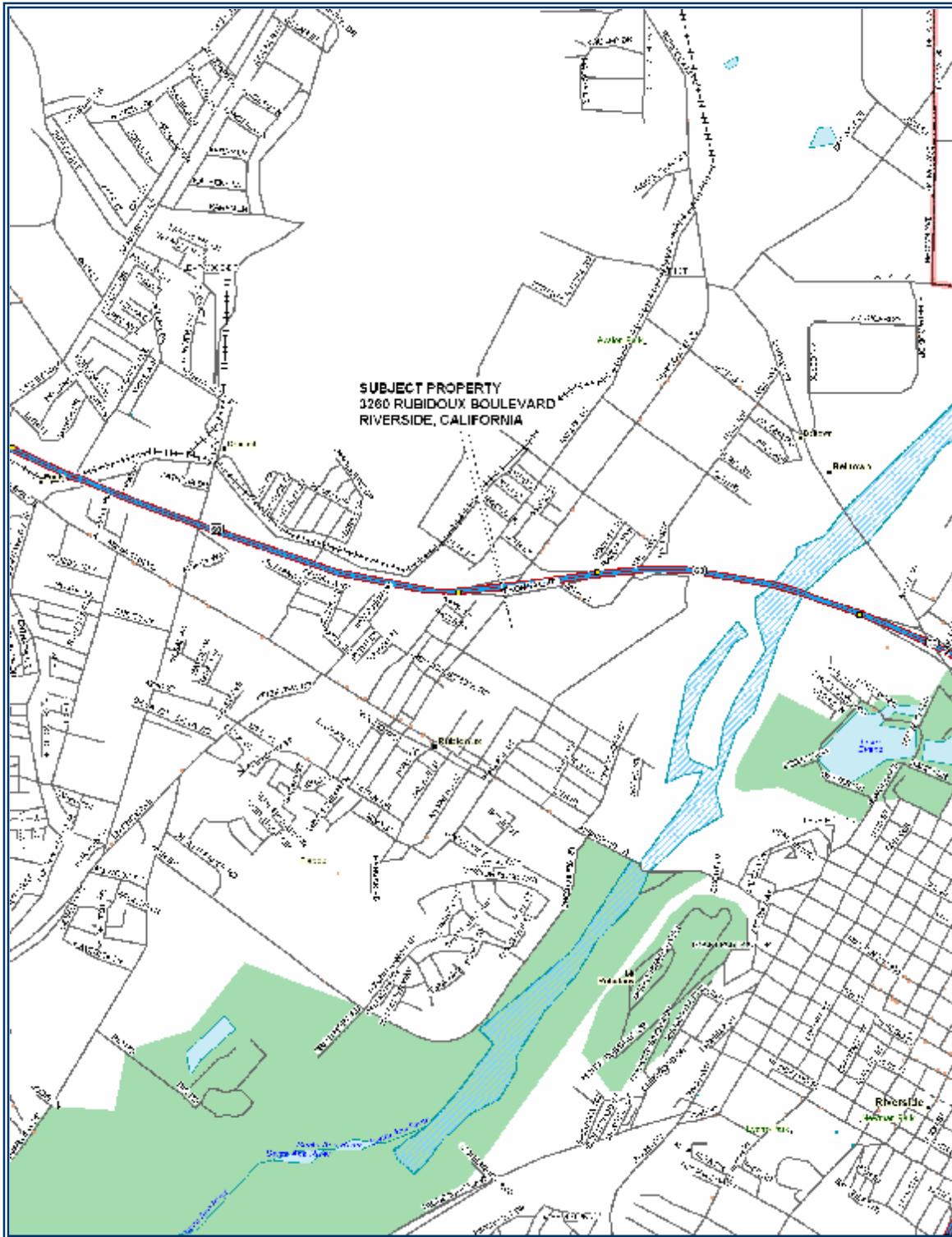
The subject neighborhood is considered to be in its second stage of development, wherein there is an established land use patterns and the surrounding properties are being developed. The future of the subject's neighborhood is very much dependent upon the continued economic growth of the state, county, and city.

These combined factors point to a favorable evaluation of the subject. The property's general location is rated as good, and the area appears to be economically stable. These combined factors point to a favorable evaluation of the subject. Residentially, this portion of Riverside County enjoys a reputation of adequate schools, sufficient shopping facilities, and average recreational facilities. Historically, the area has been utilized primarily for agricultural uses with some residential and limited commercial uses.

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## NEIGHBORHOOD MAP



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**THE SITE - Suncal Expansion Land**

**Location:**

3260 Rubidoux Boulevard, Riverside, California

**Dimensions:**

See attached plat map

**Gross Area:**

953,093 square feet / 21.88 acres

**Assessor's Parcel Numbers:**

179-130-004, 007 and 179-170-005, 020

**Topography:**

Level, slightly above street grade  
There is adequate drainage to the street.

**Known Pending Changes:**

None

**Soil Bearing Quality:**

Appears adequate however, no soils report has been provided for our review; this appraisal assumes no adverse soil conditions exist, and assumes no responsibility for such.

**Street:**

Rubidoux Boulevard: 100 foot wide street  
34<sup>th</sup> Street: 40 foot wide street

**Paving:**

Asphalt

**Curb and Gutter:**

Concrete

**Sidewalk:**

Concrete

**Utilities:**

All public utilities including sewer, water, gas, electricity, and phones are available to the subject.

**Sewer:**

Public municipal

**Census Tract:**

0402.04

**Zoning:**

SP (Specific Plan) – County of Riverside

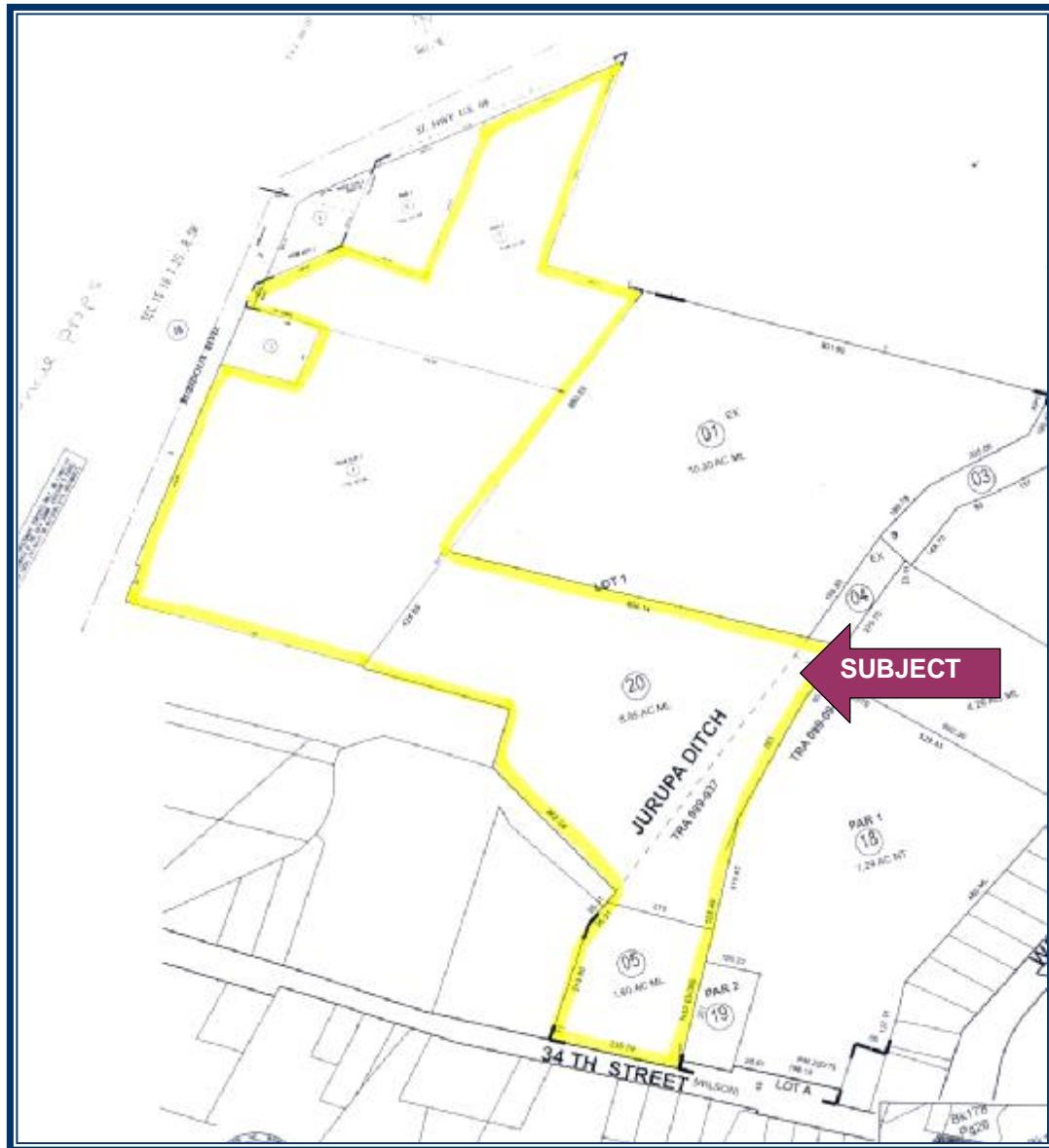
**Flood Zone:**

Zone "X", Panel# 060245-0045G, dated August 28, 2008  
Flood insurance is not federally mandated for this zone.

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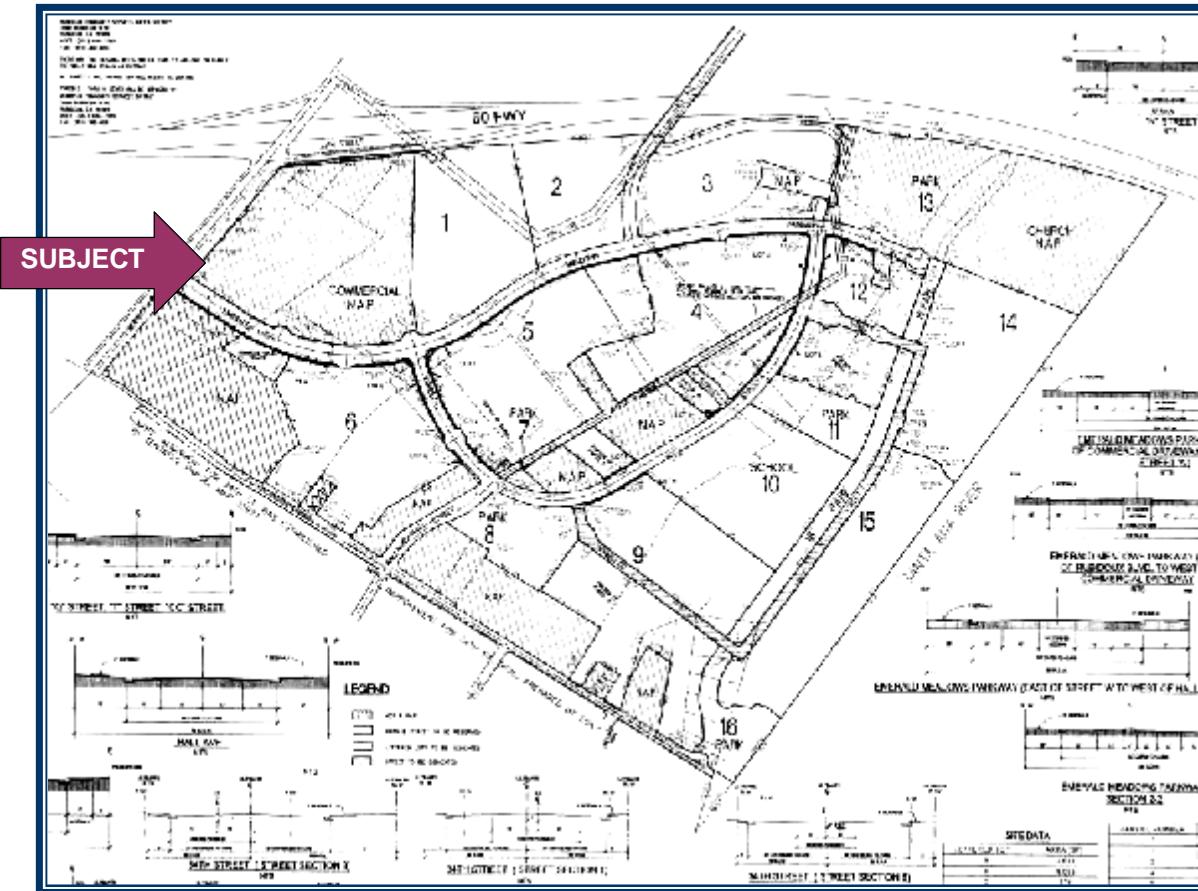
**PLAT MAP - SUNCAL EXPANSION LAND  
APN's 179-130-004, 007 AND 179-170-005, 020**



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**PROPOSED EMERALD MEADOWS DEVELOPMENT PLAT MAP  
INCORPORATING SUBJECT PROPERTY**



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## SITE DESCRIPTION

### THE SITE:

The subject of this analysis consists of four parcels of land that are contiguous. They consist of Assessor's Parcel Numbers 179-130-004, 007 and 179-170-005, 020. These parcels consist of vacant expansion land which backs to a proposed master planned development known as Emerald Meadows, which is in the final planning stages. The previous owner, Life Church of God entered into an agreement with the developer where they would trade this site for a larger 25 acre finished site within this master planned development. It is our understanding that the subject property was involved in a transfer. However, the properties that were traded changed from the original agreement.

The subject site in this analysis is irregular in shape and has a total area of 953,093 square feet or 21.88 acres. Assessor's Parcel Numbers 179-130-004 and 007 are located along the east side of Rubidoux Boulevard. They have approximately 650 feet of frontage to Rubidoux Boulevard and approximately 280 feet of frontage to the Pomona (60) Freeway. These parcels have 337,590 square feet and 195,149 square feet respectively. According to the proposed master plan, a main road will run through this site which will provide access to the future development.

Assessor's Parcel Numbers 179-170-005 and 020 are also adjacent parcels located to the southeast of Assessor's Parcel 179-130-004. Parcel 179-170-005 is the southernmost parcel and has approximately 236 feet of frontage to 34<sup>th</sup> Street. Parcel 179-170-020 has an interior location within the proposed development. The proposed main road will also bisect this parcel. These parcels have 69,696 square feet and 350,658 square feet respectively.

Currently, these parcels are level and graded. The necessary infrastructure is in place for these parcels and they ready for development.

### SOILS:

As no soil or geologic reports were made available for review, it is assumed that there are no soil conditions which negatively affect the subject site. In the event that a detrimental environmental condition is discovered, including but not limited to toxic substances or soil contamination, then an alternative value may be applicable and this appraisal would no longer be valid. The value of mineral rights, if any, was not considered in this analysis.

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**SITE DESCRIPTION - CONTINUED**

**HAZARDOUS WASTE ZONE:**

Soil Conditions appear suitable for virtually all types of development. A physical inspection of the site and adjoining land uses did not indicate any adverse soil conditions. The appraiser was not provided with any information related to contamination on the subject site and it is an assumption of this report that the value of the property is not impacted by any hazardous conditions. The appraiser is not an expert in this field and recommends the services of an expert be employed.

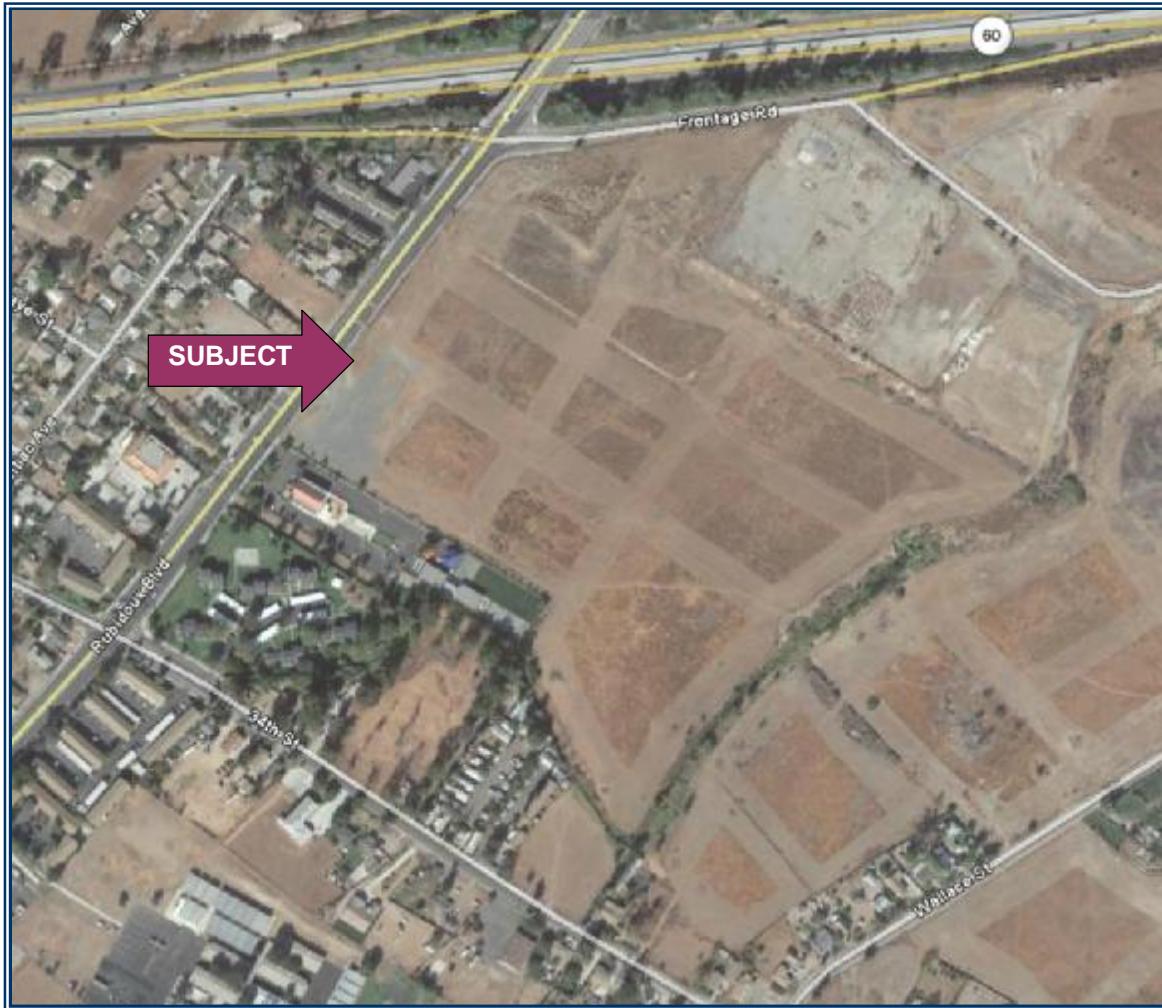
**ALQUIST-PRILO STUDY ZONE:**

According to the information provided to the appraiser by Flood Data Services, the site is not currently noted as being within an Alquist-Priolo Special Studies Zone. According to the State Division of Mines & Geology, this map may not show all faults that have the potential for surface fault or rupture, either within the special studies zones or outside their boundaries. No opinion or warranty, expressed or implied, is made herein as to the potential or possibility of earthquake occurrence or to the existence or non-existence of any known, unknown, or uncertain fault traces of fault zones. It is not uncommon for areas throughout California to be located within these zones as evidenced by previous earthquakes.

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AERIAL VIEW



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**Photographs of Subject Property**

View of ingress and egress from Rubidoux Boulevard



View of subject's western property line facing north



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**Photographs of Subject Property**

View of southern property line facing east



Southwest corner view facing north



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**Photographs of Subject Property**

View of subject property facing south



View of eastern property line facing south



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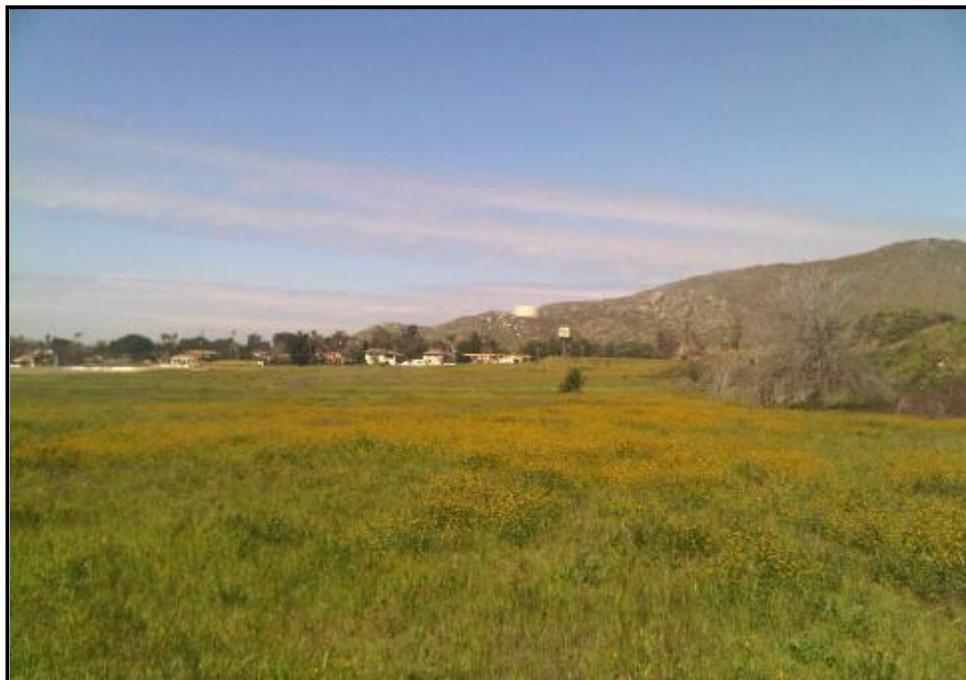
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**Photographs of Subject Property**

View of subject property facing west



View of subject property facing west



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**Photographs of Subject Property**

View of subject property to the southwest



View from southeast corner



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**Photographs of Subject Property**

View of subject property facing west



View of east property line facing west



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**Photographs of Subject Property**

View of subject property facing northwest



View of north end of subject property

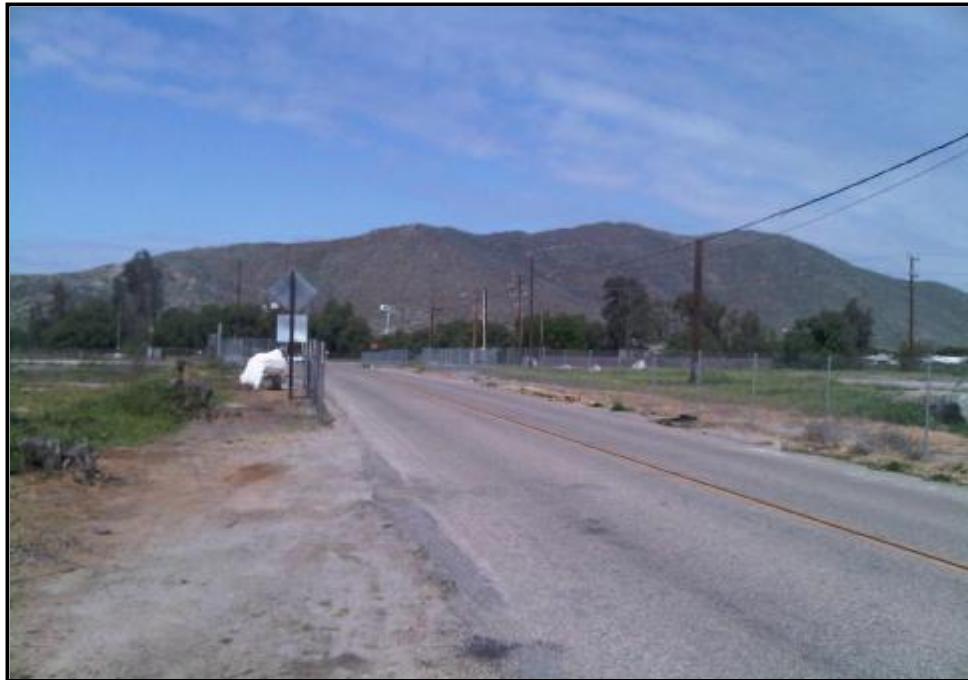


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**Photographs of Subject Property**

View of freeway frontage road



View of freeway to the east from subject property



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**Photographs of Subject Property**

View of Rubidoux Boulevard facing north



View of Rubidoux Boulevard facing south



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**Photographs of Subject Property**

View of 34<sup>th</sup> Street facing west



View of 34<sup>th</sup> Street facing east



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## HIGHEST AND BEST USE ANALYSIS

### General Information

"Market value is estimated in terms of (a property's) highest and best use." The 2009 edition of "Real Estate Appraisal Terminology" defines highest and best use, in part, as:

The reasonable and probable use that supports the highest present value, as defined, as of the effective date of the appraisal. Alternatively, that use, from reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in the highest land value.

This definition specifically applies to the highest and best use of land yet also provides the premise for ascertaining the highest and best use of improved properties. It should be noted that a highest and best use determination represents an appraiser's opinion based on his or her judgment and the application of several forms of analyses. Like value, it is not a fact, which can be found.

It is also important to note that the highest and best use of a property's land (or site) as if unimproved and available to put to its highest and best use may be different than the highest and best use of the property as improved. This is especially true when the property improvements are not the most appropriate use but still contribute to the property's value more than the value of the site alone. In such cases, the existing improvements will probably remain in use until the value of the land exceeds the total value of the property with the improvements. Appraisal practice therefore dictates that a property's highest and best use be analyzed from two standpoints: (1) the property as if unimproved and available for development, and (2) the property as improved. The subject property is currently unimproved and its highest and best use will therefore only be analyzed as vacant and available for development.

Implied within the above definition is that the determination of highest and best use arises as a result of the appraisers' judgment and analytical skill. That is, that the highest and best use determination represents an opinion, and is not factual in nature. Accordingly, based upon the preceding considerations, a general discussion will follow analyzing the highest and best use of the subject property as if vacant and as improved.

### Application

In forming an opinion as to the highest and best use of the subject property as unimproved and as improved, four analyses were applied. They were:

- 1) **Permissible Use Analysis** which considers all of the subject's permitted legal uses as delineated by current zoning and city regulations.
- 2) **Physical Possibility Use Analysis** which considers all the physically possible uses of the site and structure.
- 3) **Feasible Use Analysis** which considers the most feasible uses of the possible and permissible uses.
- 4) **Highest and Best Use Analysis** which considers the most appropriate and most likely use of the property.

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## **HIGHEST AND BEST USE ANALYSIS - CONTINUED**

### **Application Of Highest And Best Use Analysis - As If Vacant:**

Essentially, this highest and best use analysis will consider the three options available to an owner or potential purchase of the subject site. That is to: (1) leave the property vacant, (2) develop the property and, (3) if development is found to be feasible, determine what use is the most profitable.

The subject sites are essentially level and slightly above grade with surrounding properties and roadways and water drainage appears good. As of the current date of valuation, all utilities were available to the property and the subject had more than adequate frontage, exposure, visibility, and access along adjoining roadways. As described within the Site Description section of this report, according to available information the subject properties consist of four land parcels that form an irregular contiguous site that has frontage to Rubidoux Boulevard, the 60 freeway frontage road, as well as 34<sup>th</sup> street.

#### **Legal Use:**

As stated in the site section of the report, the subject's site is zoned SP (Specific Plan). These zones are intended to provide for residential, commercial, and community uses. The subject site is presently vacant unimproved land of 21.88 acres in size. This site was to be developed with a mixed-use retail master planned project but has stalled due to financing issues.

The use of the subject property may also be further limited by private deed restrictions. We assume that any undisclosed restrictions as may exist are typical for such properties and do not conflict with the existing applicable zoning classification affecting the subject property.

Thus, based upon both public and private restrictions, only the following land uses are considered to be legally permissible for the subject sites:

- A) Hold for investment or for future development**
- B) Residential or commercial development as allowed by zoning**

#### **Physically Possible:**

The subject's site is presently vacant unimproved parcels. The topography is level and ready for development. All off-sites are reportedly to the subject's site and available in surrounding properties. The area is adequately-suited for development. Given the subject property's condition and size, a variety of land uses initially would appear to be physically possible for the property. This analysis will focus upon consideration of these specific alternatives.

- A) Hold for investment or for future development**

Simply holding the subject sites in their present form either for investment purposes or future development is obviously a physically possible alternative for the property.

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## **HIGHEST AND BEST USE ANALYSIS - CONTINUED**

### **Application Of Highest And Best Use Analysis - As If Vacant:**

#### **Physically Possible - continued:**

##### **B) Residential or commercial development as allowed by zoning**

Residential or commercial developments are legally permitted use for these sites, as zoned.

#### **Financially Feasible**

Based upon the above identified land uses for the subject property, as if vacant, we have focused our feasibility analysis upon the aforementioned legally permissible and physically appropriate alternatives.

##### **A) Hold for investment or for future development**

This scenario is predicated upon simply holding the subject property, as if vacant, for investment (speculation) or for future development until such time as changing demographic and economic conditions within the surrounding community support the financial feasibility of development alternatives.

##### **B) Residential and commercial development as allowed by zoning**

In considering the potential for residential and commercial development a factor that must be considered is the feasibility of such a use. A test of feasibility is profitability, which is usually indicated by comparing the development cost of the project with the market value of potential improvements. This indicates whether the cost of development of the improvements will create improvements that will generate enough market return to adequately supply a return on and a return of, the required capital to construct the subject's improvements.

In the case of the subject's market area; we are dealing with a static real estate market following a period of rapid depreciation. The subject's zoning is for multi-family residential and commercial development. It is unlikely that new residential or commercial improvements, at the density allowed, would generate enough net income from sales to adequately supply a return on and a return of, the required capital for new residential construction.

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## **HIGHEST AND BEST USE ANALYSIS - CONTINUED**

### **Application Of Highest And Best Use Analysis - As If Vacant:**

#### **Financially Feasible (continued):**

Further, as any reasonable legally permissible and physically possible development of the subject sites is considered likely to have little if any appeal to an investor, any speculative development of the property is not considered to be a financially feasible alternative.

Generally special purpose facilities are not typically considered based on the potential rents that can be generated. The basis of the cost approach is best used to consider the financial feasibility of such a project.

#### **Maximally Productive:**

Of the financially feasible uses, the use that produces the highest residual land value consistent with the rate of return warranted by the market for that use is the highest and best use. However, only one of the potential uses considered above meets the "test" of financial feasibility. That feasible use is to hold the subject property, as if vacant, for future speculative residential and or commercial development. Therefore, this use is also considered to be the subject's maximally productive use.

#### **Conclusion:**

Thus, considering the four "tests" of highest and best use, we conclude that the highest and best use of the subject property, as if vacant and as of the effective dates of valuation, is to hold the site for future residential and commercial uses in accordance with the uses permitted under the current zoning code. If considered from a strictly economic outlook, the cost of fully developing the site will be higher than the market return for these items under the present economic conditions.

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## INCOME CAPITALIZATION APPROACH

An income analysis is made from the viewpoint of a typically motivated and investment oriented potential purchaser, who wants to know what sort of income stream the property is potentially capable of producing, balanced against the expenses which may plausibly be expected.

Careful and thorough consideration of the income producing characteristics of any property (subject property or comparable) involves a review of certain basic principles and an evaluation of contingencies which may affect the quality, volume and durability of such income. This is primarily because a prudent investor would typically want to know and consider these same principles and characteristics so as to form the basis for comparing the relative desirability of similar or comparable properties.

### Overview

Income-producing real estate is typically purchased as an investment, and from an investor's point of view, earning power is the critical element affecting property value. One basic premise is that the higher the earnings, the higher the value. An investor who purchases income-producing real estate is essentially trading present dollars for the right to receive future dollars. The *income capitalization approach* to value consists of methods, techniques, and mathematical procedures that an appraiser uses to analyze a property's capacity to generate benefits (i.e. usually the monetary benefits of income and reversion), and convert these benefits into an indication of present value.

The *income capitalization approach* is one of the three traditional approaches that an appraiser may use in the valuation process. However, it is not an independent system of valuation that is unrelated to the other approaches. The valuation process as a whole is composed of integrated, interrelated, and inseparable techniques and procedures designed to produce a convincing and reliable estimate of value, usually market value.

The principle of anticipation is fundamental to the income capitalization approach. As value is created by the expectation of benefits to be derived in the future, value may be defined as the present worth of all rights to these future benefits. All income capitalization methods, techniques, and procedures attempt to consider anticipated future benefits and estimate their present value. The approach is also based on and consistent with the basic value influences and principles of change, supply and demand, substitution, balance, and externalities.

The two most commonly utilized methods of capitalizing net income into value are *direct capitalization* and *yield capitalization*. These methods are based on different measures of expected earnings and include different assumptions concerning the relationship between expected earnings and value.

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## **INCOME CAPITALIZATION APPROACH – CONTINUED**

*Direct capitalization is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step – either by dividing the income estimate by an appropriate income rate or by multiplying the income estimate by an appropriate factor.* The income expectancy considered is frequently the anticipated income for the following year. Direct capitalization is market-oriented; an appraiser analyzes market evidence and values property by inferring the assumptions of typical investors. Direct capitalization does not explicitly differentiate between the return on and return of capital because investor assumptions are not specified. However, it is implied that the selected multiplier or rate will satisfy a typical investor and that the prospects for future monetary benefits, over and above the amount originally invested, are sufficiently attractive.

*Yield capitalization is a method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that explicitly reflects the investment's income pattern, value change, and yield rate. Like direct capitalization, yield capitalization should reflect market behavior.* The procedure used to convert periodic income and reversion into present value is called discounting; the required rate of return is called the discount rate. The discounting procedure presumes that the investor will receive a satisfactory return on the investment and a complete recovery of the capital invested. This method is referred to as yield capitalization because it analyzes whether an investment property will produce the particular level of profit or yield required. Yield capitalization is also called discounted cash flow analysis; and as a discount rate is used to calculate the present value of anticipated future cash flows.

--Paraphrased from the *Tenth Edition of the Appraisal of Real Estate*, pages 409 through 420,  
published by the Appraisal Institute--

### **Application**

However, given the unique nature and physical attributes of the subject property, and the fact that such properties are usually constructed and utilized by owner/users for their own purposes and requirements, it is apparent that it is extremely difficult to identify a sufficient number of comparable rental properties that could be considered to be highly similar to the subject. Further, properties (or portions of properties similar to the subject) that are leased are often done so at rental rates which do not support the depreciated replacement costs associated with such facilities.

Buyers and sellers of religious facilities are not typically enacting the transactions based on the income potential of the property. Other factors are more important. These factors are best analyzed through the application of the Market and Cost Approaches to Value. Accordingly, the application of the *income capitalization approach* to value is not considered to be appropriate for the purposes of this analysis.

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## **COST APPROACH**

The Cost Approach reflects buyers' thinking by recognizing that market participants relate value to cost. Buyers tend to determine the value of an existing structure by considering the prices and rents of similar buildings and the cost to create a new building with optimal physical condition and functional utility. Moreover, buyers adjust the prices that they are willing to pay by estimating the costs to bring an existing structure up to the physical condition and functional utility that they desire. Therefore, in applying the Cost Approach to value, an appraiser attempts to estimate a buyer's opinion of the difference in worth between the property being appraised and a newly constructed building with optimal utility.

The Cost Approach is the result of the addition of two separate estimates. The first involves the estimate of the value of the underlying land, as if vacant and ready to be put to its highest and best use; the second is the estimate of the present value of the improvements. These two value estimates are then combined in order to arrive at a market value indication.

The land value estimate is made by comparing the subject to comparable vacant parcels, which have sold in the area of the subject in the recent past. For this specific study, these sales are summarized and discussed in the Market Approach valuation section. The estimate of the present value of the improvements, on the other hand, includes several steps. First, the replacement cost, new, of the improvements is estimated; then the estimated accrued depreciation is subtracted from the replacement cost, new, in order to arrive at the present value indicator of the improvements.

### **Land Value**

In the Cost Approach, the estimated market value of the land, as if vacant and ready for development, is added to the depreciated cost of the improvements.

### **Sales Comparison Approach**

Of the various procedures available for estimating land value, none is more helpful or persuasive than the sales comparison approach. In this approach, sales of similar unimproved sites are analyzed, compared, and adjusted to derive an indication of value for the site being appraised. For this specific study, these sales are summarized and discussed in the market valuation section of this report. The application of the Cost Approach is not applicable in this particular assignment as the basis of this analysis is the land value only.

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## **MARKET APPROACH**

The Market Approach produces an estimate of market value by directly comparing the subject property to similarly vacant sites that have sold in the recent past in the competing market area of the subject. This approach attempts to identify and estimate the price at which a willing seller would sell and a willing buyer would buy, neither being under abnormal pressure. This definition assumes that both the buyer and seller are fully informed as to the property and state of the market for that type of property, and that the subject has been exposed in the open market for a reasonable amount of time.

The application of this approach produces an estimate of value for the subject property by comparing it with similar properties. These direct comparisons are made based on measurable inherent differences between properties. These differences vary from location, size, utility, zoning, and financing, to exposure, and other factors that determine value. The following sales were located that were felt to be representative of the subject property. These sales were the most recent and most similar to the subject in terms of location, size, and potential uses.

### **Price Per Square Foot:**

These direct comparisons are generally made based on some commonly used and accepted value indicators. Although there are several of these indicators which can be used within this approach, in the valuation of vacant finished sites, such as the subject, generally the price per square foot is considered most applicable.

The price per square foot, which is the result of dividing the square foot area of the comparable site being analyzed into the selling price, provides a unit of comparison which is then adjusted to reflect the differences in the subject property versus the comparables selected for comparison.

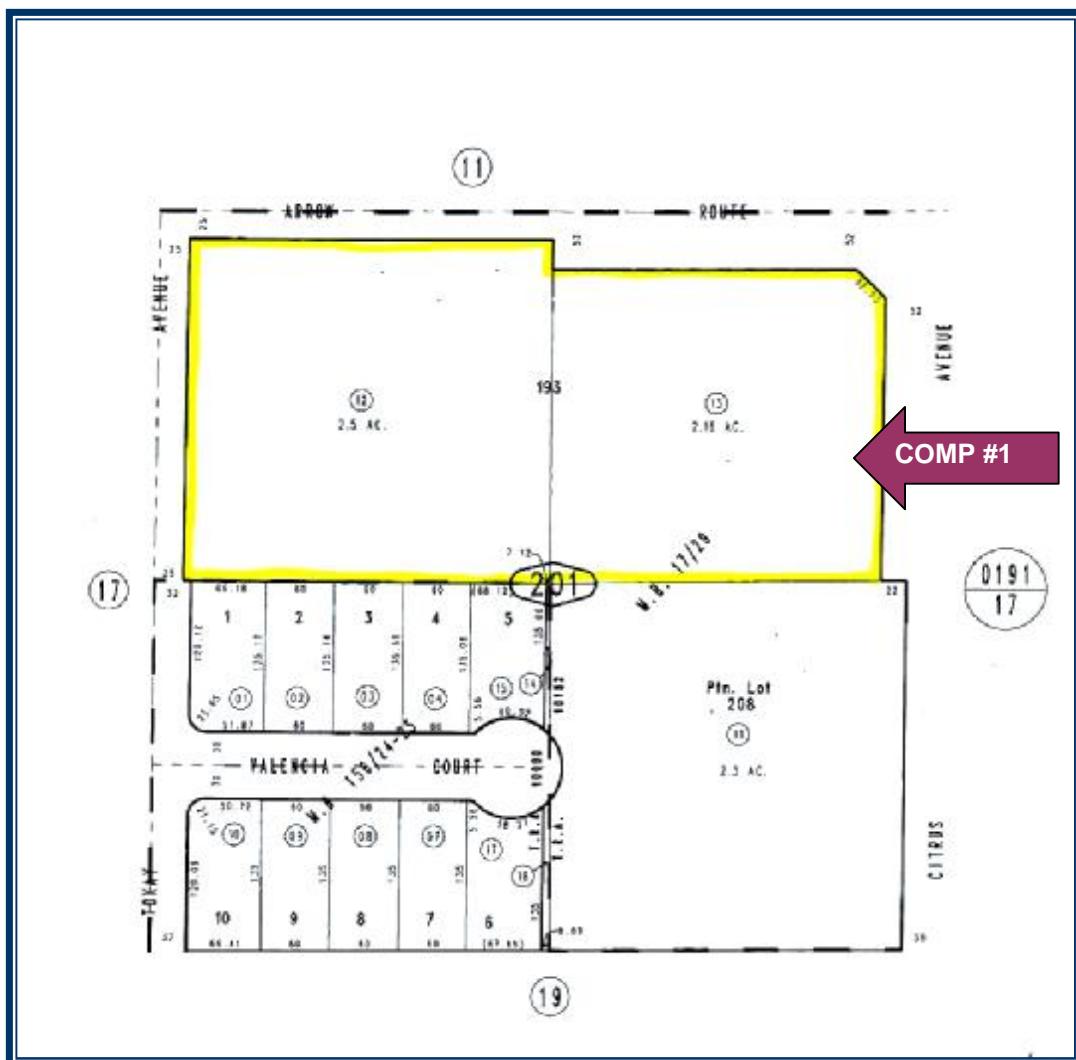
### **Procedure:**

In applying the Market Approach, the appraiser must research the market to obtain information on comparable properties, verifying information and determining the amount of comparability between the subject and the comparables selected. The following pages contain a summary of sales. These sales are considered to be the most comparable data available for estimating the market value of the subject property.

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Vacant Land Comparable Number 1  
(plat map)



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## **VACANT LAND COMPARABLE NUMBER 1**

Assessor Parcel Numbers – 0232-201-12 and 13  
Southwest corner of Arrow Highway and Citrus Avenue  
Fontana, California 92335

### **Pertinent Details:**

**Buyer:** Alternative Investment Solutions Incorporated, (714) 357-5936  
c/o Elie Bahou  
1035 South Mountvale Court, Anaheim, CA 92808

**Seller:** The Alliance Portfolio, (949) 349-1322  
c/o James Perry  
120 Vantis, Aliso Viejo, CA 92656

<b>Sale Date:</b>	September 17, 2010
<b>Document#:</b>	373550
<b>Sale Price:</b>	\$850,000
<b>Price Per Square Foot:</b>	\$4.19
<b>Property Type:</b>	Commercial land
<b>Zoning:</b>	C2, Fontana
<b>Area in Square Feet:</b>	202,990 square feet
<b>Area in Acres:</b>	4.66 acres
<b>Topography:</b>	Level
<b>Use:</b>	To construct a 20,000 sf retail with 40 units of multi-family
<b>Improvements:</b>	None, vacant land
<b>Utilities:</b>	All to the site
<b>Location:</b>	Thomas Guide Map Page 604-G2, San Bernardino County

### **Financial Details:**

<b>Cash Down Payment:</b>	\$850,000 / 100%
<b>First Trust Deed:</b>	None – all cash sale
<b>Remarks:</b>	See reconciliation
<b>Verification:</b>	Mel Wagstaff, Broker (714) 693-7006
<b>Source:</b>	CoStar Comps/First American Title

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VACANT LAND COMPARABLE NUMBER 2  
(plat map)



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## **VACANT LAND COMPARABLE NUMBER 2**

Assessor's Parcel Numbers – 1201-361-04, 05, 24 and 25  
Boulder Avenue  
Highland, California 92346

### **Pertinent Details:**

**Buyer:** Glenrose Ranch LP  
c/o Victor Svilik  
1875 Century Park East, Los Angeles, CA 90067

**Seller:** BSC San Bernardino Return III LLC, (816) 471-9800  
c/o David Frances  
1111 Main Street, Kansas City, MO 64105

<b>Sale Date:</b>	February 26, 2010
<b>Document#:</b>	078854
<b>Sale Price:</b>	\$2,100,000
<b>Price Per Square Foot:</b>	\$4.21
<b>Property Type:</b>	Commercial land
<b>Zoning:</b>	C, Highland
<b>Area in Square Feet:</b>	498,618 square feet
<b>Area in Acres:</b>	11.45 acres
<b>Topography:</b>	Level
<b>Use:</b>	To hold for investment purposes
<b>Improvements:</b>	None, vacant land
<b>Utility:</b>	All to the site
<b>Location:</b>	Thomas Guide Map Page 578-A5, San Bernardino County

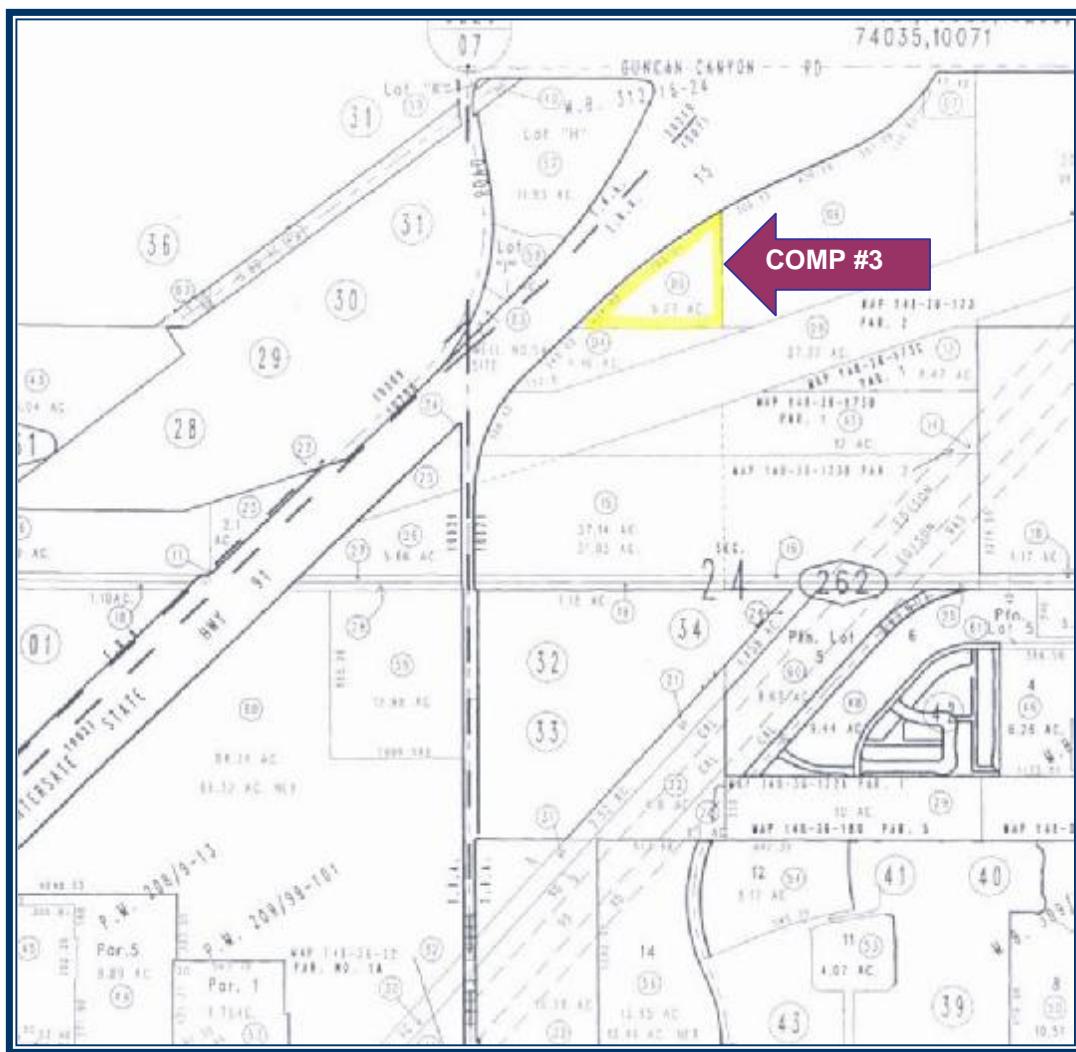
### **Financial Details:**

<b>Financing:</b>	\$2,100,000 / 100%
<b>First Trust Deed:</b>	None – all cash sale
<b>Remarks:</b>	See reconciliation
<b>Verification:</b>	Seller
<b>Source:</b>	CoStar Comps/NiteOwl

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VACANT LAND COMPARABLE NUMBER 3  
(plat map)



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## **VACANT LAND COMPARABLE NUMBER 3**

Assessor's Parcel Number – 1107-262-05  
5061 Lytle Creek Road  
Fontana, California 92336

### **Pertinent Details:**

**Buyer:** Lytle Creek Road Investors, (818) 755-0880  
c/o Mark Kestenbaum  
12725 Ventura Boulevard, Studio City, CA 91604

**Seller:** East West Bank, (626) 768-6000  
c/o Douglas Krause  
135 N. Los Robles Avenue, Pasadena, CA 91101

<b>Sale Date:</b>	March 30, 2010
<b>Document#:</b>	120567
<b>Sale Price:</b>	\$565,000
<b>Price Per Square Foot:</b>	\$2.25
<b>Property Type:</b>	Commercial land
<b>Zoning:</b>	Commercial, Fontana
<b>Area in Square Feet:</b>	251,341 square feet
<b>Area in Acres:</b>	5.77 acres
<b>Topography:</b>	Level
<b>Use:</b>	Not disclosed
<b>Improvements:</b>	None, vacant land
<b>Utilities:</b>	All to the site
<b>Location:</b>	Thomas Guide Map Page 544-F7, San Bernardino County

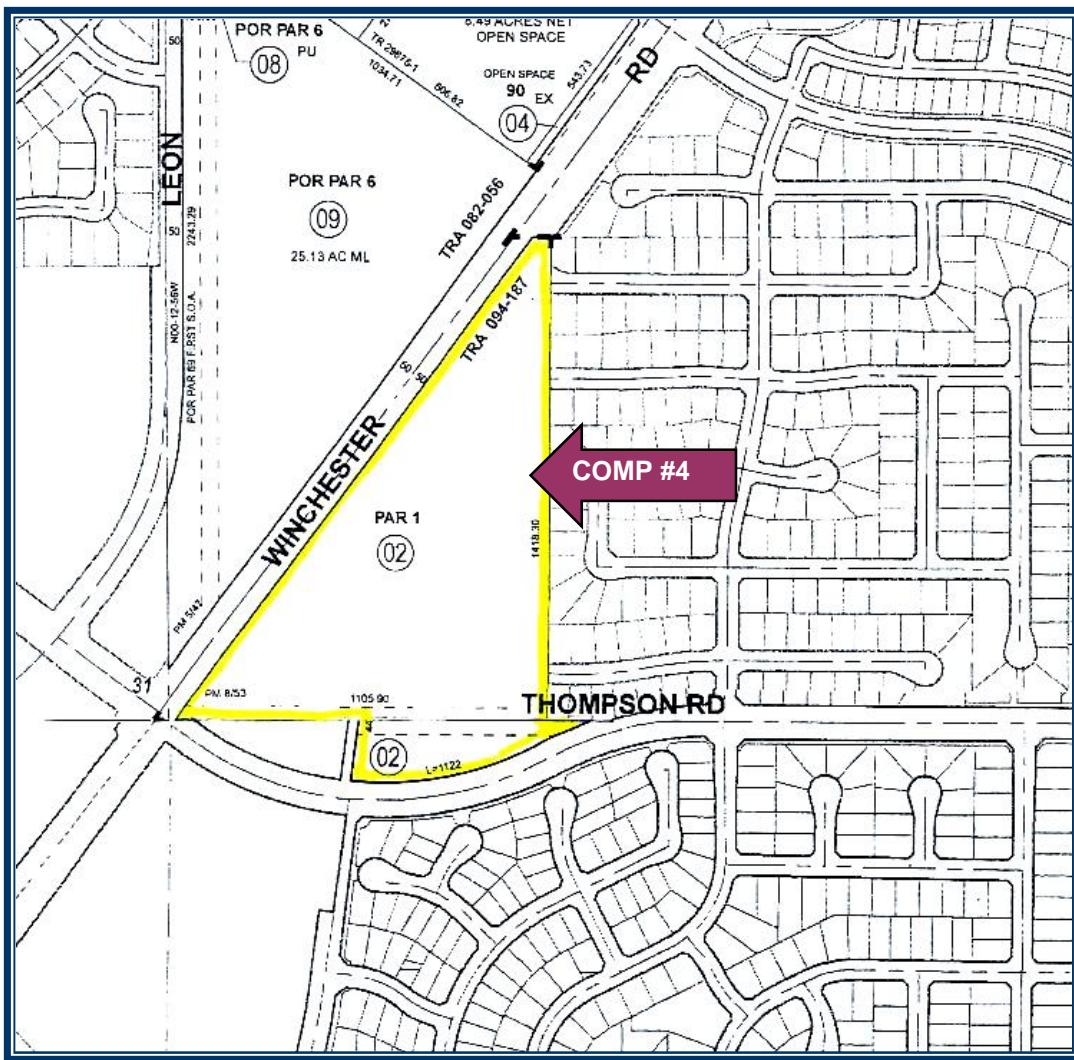
### **Financial Details:**

<b>Cash Down Payment:</b>	\$565,000 / 100%
<b>First Trust Deed:</b>	None - all cash sale
<b>Remarks:</b>	See reconciliation
<b>Verification:</b>	Eric Burney, (909) 980-1234, Broker
<b>Source:</b>	CoStar Comps/NiteOwl

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VACANT LAND COMPARABLE NUMBER 4  
(plat map)



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## **VACANT LAND COMPARABLE NUMBER 4**

Assessor's Parcel Numbers – 480-170-002 and 963-100-002  
Winchester Road  
Winchester, California 92596

### **Pertinent Details:**

**Buyer:** French Valley Towne Center LLC  
31401 Camino Capistrano, San Juan Capistrano, CA 92675

**Seller:** Oreo Corporation of Ohio, (216) 689-3000  
127 Public Square, Cleveland, OH 44114

<b>Sale Date:</b>	December 17, 2009
<b>Document#:</b>	0649607
<b>Sale Price:</b>	\$2,750,000
<b>Price Per Square Foot:</b>	\$3.08
<b>Property Type:</b>	Residential land
<b>Zoning:</b>	RA025, Winchester
<b>Square Foot Area:</b>	891,913 square feet
<b>Area in Acres:</b>	20.48 acres
<b>Topography:</b>	Level
<b>Use:</b>	To construct a commercial property
<b>Improvements:</b>	None, vacant land
<b>Utilities:</b>	All to the site
<b>Location:</b>	Thomas Guide Map Page 899-C7, Riverside County

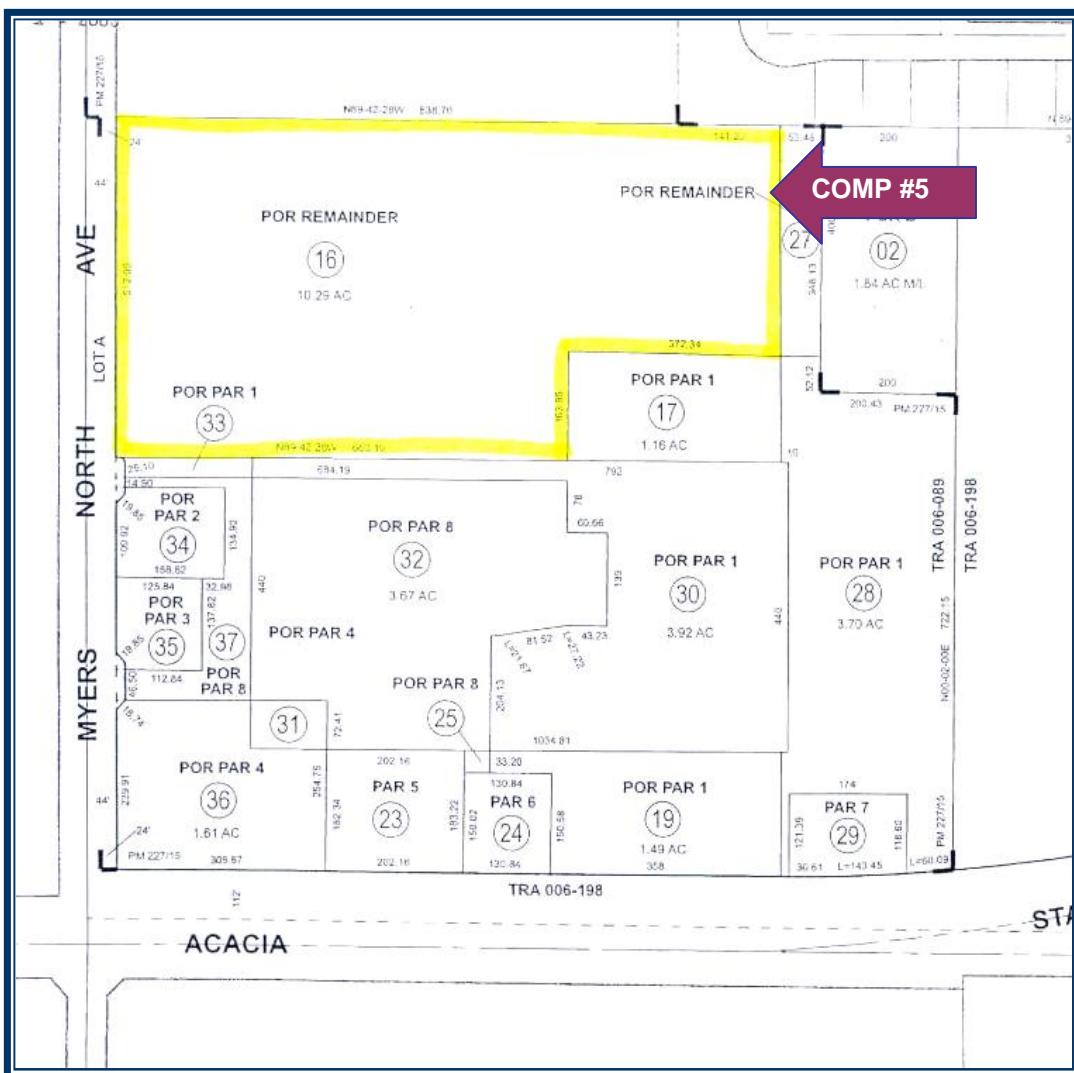
### **Financial Details:**

<b>Cash Down Payment:</b>	\$2,750,000 / 100%
<b>First Trust Deed:</b>	None - all cash sale
<b>Remarks:</b>	See reconciliation
<b>Verification:</b>	David Rosenthal, Broker, (818) 787-3077
<b>Source:</b>	CoStar Comps/First American Title

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VACANT LAND COMPARABLE NUMBER 5  
(plat map)



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## **VACANT LAND COMPARABLE NUMBER 5**

Assessor's Parcel Number – 448-140-016  
Myers Street  
Hemet, California 92543

### **Pertinent Details:**

<b>Buyer:</b>	Hemet Hospitality Investments LLC, (909) 793-2414 c/o Narendra Makan 1260 Alabama Street, Redlands, CA 92374
<b>Seller:</b>	West Coast Development, (949) 348-1104 c/o Joseph Ham 27201 Puerta Real, Mission Viejo, CA 92691
<b>Sale Date:</b>	January 15, 2010
<b>Document#:</b>	0274459
<b>Sale Price:</b>	\$1,139,000
<b>Price Per Square Foot:</b>	\$2.54
<b>Property Type:</b>	Commercial land
<b>Zoning:</b>	C-2, Hemet
<b>Area in Square Feet:</b>	448,232 square feet
<b>Area in Acres:</b>	10.29 acres
<b>Topography:</b>	Level
<b>Use:</b>	To construct hospitality building
<b>Improvements:</b>	None, vacant land
<b>Utility:</b>	All to the site
<b>Location:</b>	Thomas Guide Map Page 810-D7, Riverside County

### **Financial Details:**

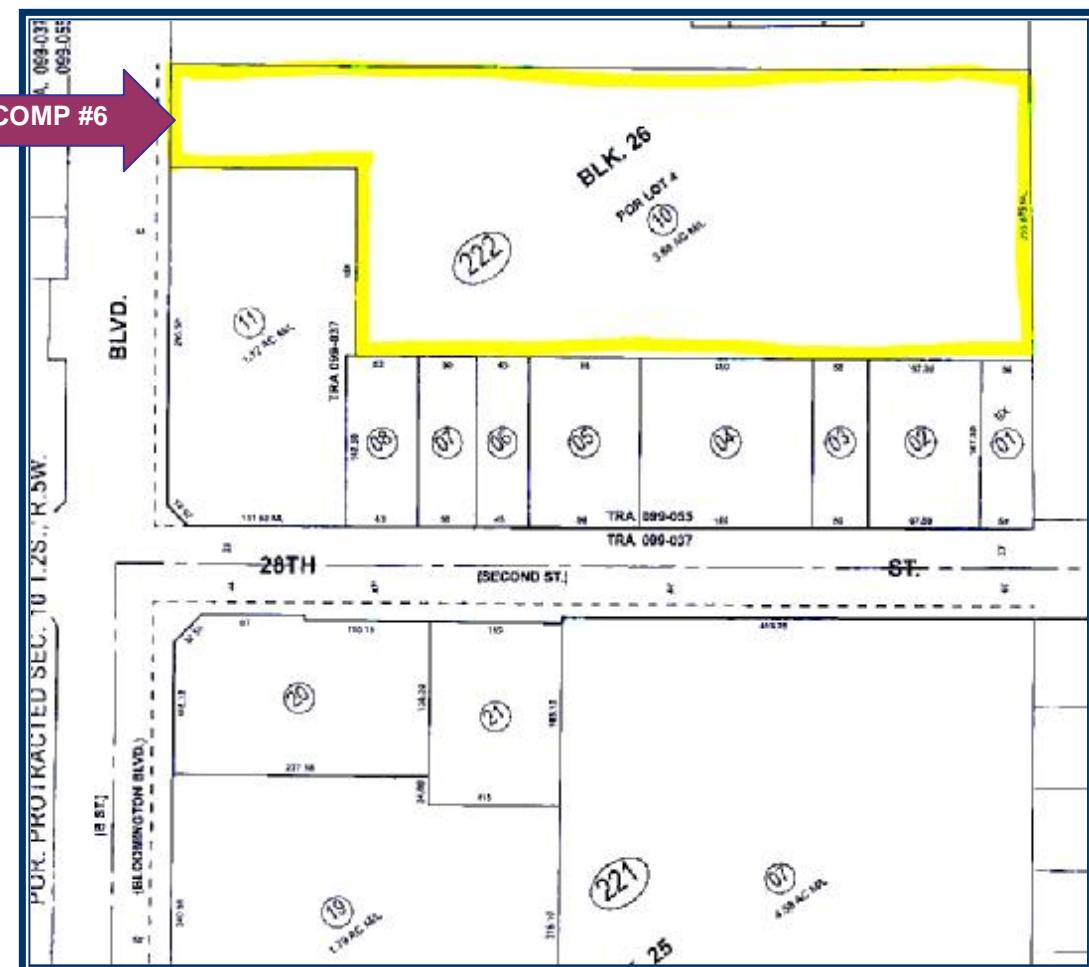
<b>Financing:</b>	\$1,139,000 / 100%
<b>First Trust Deed:</b>	None – all cash sale
<b>Remarks:</b>	See reconciliation
<b>Verification:</b>	Matt McPherson, (951) 658-7211, Broker
<b>Source:</b>	CoStar Comps/NiteOwl

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# VACANT LAND COMPARABLE NUMBER 6

## (plat map)



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## **VACANT LAND COMPARABLE NUMBER 6**

Assessor's Parcel Number – 178-222-010  
2780 Rubidoux Boulevard  
Riverside, California 92509

### **Pertinent Details:**

**Broker:** DAUM Commercial Real Estate Services, (909) 390-1400  
c/o Gerry Calderon  
3595 E. Inland Empire Boulevard, Ontario, CA 91764

**Seller:** Garcia, J Guadalupe / Carmen  
621 E. Spruce Street, Ontario, CA 91761

<b>Sale Date:</b>	Active listing
<b>Document#:</b>	Not applicable
<b>Sale Price:</b>	\$1,200,000
<b>Price Per Square Foot:</b>	\$7.49
<b>Property Type:</b>	Commercial land
<b>Zoning:</b>	M-SC (Manufacturing Service Commercial), Riverside
<b>Area in Square Feet:</b>	160,301 square feet
<b>Area in Acres:</b>	3.68 acres
<b>Topography:</b>	Level
<b>Use:</b>	Commercial development
<b>Improvements:</b>	None, vacant land
<b>Utilities:</b>	All to the site
<b>Location:</b>	Thomas Guide Map Page 685-E1, Riverside County

### **Financial Details:**

<b>Cash Down Payment:</b>	Active listing
<b>First Trust Deed:</b>	Not applicable
<b>Remarks:</b>	See reconciliation
<b>Verification:</b>	Gerry Calderon, (909) 980-1234, Broker
<b>Source:</b>	CoStar Comps/NiteOwl

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**SUNCAL EXPANSION LAND**  
**VACANT LAND SALES SUMMARY**

Comp#	Zoning	Sales Price	Size Sq Ft	Price/Sq. Ft.
1	C2	\$850,000	202,990	\$4.19
2	C	\$2,100,000	498,618	\$4.21
3	C	\$565,000	251,341	\$2.25
4	RA025	\$2,750,000	891,913	\$3.08
5	C2	\$1,139,000	448,232	\$2.54
6	M-SC	\$1,200,000	160,301	\$7.49

**RECONCILIATION - Suncal Expansion Land Sales:**

On the preceding pages are the details concerning transactions of six land parcels in the general vicinity of the subject property. A number of adjustments were applied to each property to provide a basis for establishing market value for the subject property. All of the land comparables analyzed involved essentially similar real property rights conveyed, indicating little or no adjustment for this element of comparison. Further, all of the comparable's transactions, occurred under conditions in which the seller either received all cash, or the financing terms were considered to be essentially cash equivalent. Consequently, no adjustments for financing terms are indicated. Similarly, all of the transactions occurred under circumstances in which the conditions of sale were considered to be normal, requiring little if any adjustment.

Additionally, changes in market conditions between the respective dates of sale of the comparables analyzed and the effective date of valuation (time of sale category) have had an influence on value. This conclusion is considered to be a reflection of the fact that land values have decrease during the time period represented by the comparables used in this analysis. The economy is experiencing a downturn, which has resulted in depreciation in the residential market. It is difficult to accurately gage depreciation within this specific market. A review of recent sales of other types of property within the immediate market indicated a decrease in activity and noticeable depreciation in some property types. In considering the applicable depreciation, we have considered published data provided by Property & Portfolio Research (PPR), a major property data tracking, reporting and forecasting service that is used by institutional lenders and investors. The properties tracked by PPR tend to be larger class A and B properties. As such, they do not mirror precisely our property type. However, the trends discerned are pertinent indicators of broader market trends. These trends have been considered in determining the applicable depreciation rates for the subject's market rates. The published data tracks warehouses, offices, retail and apartment transactions. Considering the referenced data as it related to the utilized comparables, it is evident that there was a significant annual depreciation factor from the beginning of 2008 to the beginning of 2010. The market is perceived as having leveled off starting at the beginning of 2010. The current market is perceived as relatively static with limited transactions. The most emphasis has been placed on the most recent transactions.

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**RECONCILIATION – Suncal Expansion Land Sales - continued:**

The subject's market area is a partially developed area, and there are still comparable parcels of vacant land available of sufficient size to accommodate a facility such as the subject. The included comparables are the most similar available sales from the surrounding market area. While located in different neighborhoods, the locational characteristics and economic climates in these areas are considered relatively similar to the subject's, and subsequently, they should serve reasonably well as indicators of the value that could be obtained or reasonably supported for the subject's site.

Location is of primary importance, and adjustments were made, where warranted, for this factor. The sizes of the comparables in relation to the subject were also considered. A larger parcel of land will often tend to sell for less on a per square foot basis than a smaller parcel of otherwise equal value. Density, lot utility, zoning, presence of or lack of utilities and off-sites also plays a key factor in terms of development potential and resulting cost of the various comparables. Improvements and/or entitlements that may have transferred with the property are also considered. Various permitted uses are other considerations that have been analyzed. The overall topography was also considered.

In analyzing each item of market data, a comparison was made between the market data and the subject site. Consideration was given to the property rights conveyed, financing, motivation, market conditions, improvements, access and exposure, location, parcel size, land use (zoning), topography and availability of utilities. Only those items requiring specific adjustments are outlined within the following adjustment grid.

The zoning on the various sales and the sizes of the comparables in relation to the subject were also considered. A larger parcel of land will tend to sell for less on a per square foot basis than a smaller parcel of otherwise equal value. Location is of primary importance, and adjustments were made, where warranted, for this factor. Applicable adjustments have been made for these comparables.

All of the comparables have relatively similar potential uses as the subject site as they vary in size and locations. The comparables were selected for their specific intended use, size of the sites, and specific locations. The Suncal expansion land portion of the subject property has four contiguous parcels ranging from 1.60 acres to 8.08 acres. These assembled parcels form an intricate portion of the approved Meadowland Development. It is our determination that the highest and best use of these parcels is to sell them as an assembled site. The potential exists to sell them as individual sites as they are separate legal parcels. However, as individual parcels they would have ingress and egress issues as well as site utility and frontage issues which would adversely affect their individual values. Therefore, Assessor's Parcel Numbers 179-170-020 and 179-170-005 have a combined site area of 420,354 square feet or 9.65 acres. Parcels number 179-130-004 which consists of 337,590 square feet or 7.75 acres and APN 179-130-007 which has an area of 195,149 square feet or 4.48 acres are being considered as one assembled entity in the course of this analysis.

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**RECONCILIATION - Suncal Expansion Land Sales - continued:**

Comparable number one is located to the north of the subject with frontage to Citrus Avenue within the city of Fontana. The site has a similar signalized corner location. The specific location is considered to be superior to the subject in terms of surrounding improvements and economic base and a downward adjustment was warranted. The smaller size of the site warranted a downward adjustment based on the economies of scale. The site is vacant raw land with a similar commercial zone to the subject's. A downward adjustment was also made for the subject's inferior site utility resulting from the shape of its overall configuration. The corner location is superior to the subject and required a downward adjustment. The seller purchased this property on July 7<sup>th</sup> of 2010 and then put it back on the market. The property was on the market for 207 days prior to this sale.

Comparable number two consists of a commercial site located to the northeast of the subject on Boulder Avenue in Highland. The specific location is rated as superior to the subject in terms of surrounding uses and economic base and a downward adjustment was indicated for this factor. A downward adjustment was also made for its superior site utility when compared to the subject. A downward adjustment was also warranted to account for the comparable's superior corner location. The smaller size of the site required a slight downward adjustment based on the economies of scale. A downward adjustment was warranted to account for the comparable's superior site improvements. This comparable consists of a recent sale and did not require a time adjustment. No other sales transactions have occurred over the last three years.

Comparable number three is located to the north of the subject within the city of Fontana. The site consists of a commercially zoned parcel of land. The buyer's intended use of the site was not disclosed. The specific location is rated as inferior to the subject in terms of surrounding uses and economic base and an upward adjustment was indicated for this factor. A downward adjustment was also made for its superior site utility when compared to the subject. The smaller size of the site required a downward adjustment based on the economies of scale. The zoning/potential use of the site is also similar to the subject and did not require an adjustment. This comparable is similar to the subject in most aspects and minimal adjustments were required. This comparable consists of a recent sale and did not require a time adjustment. No other sales transactions have occurred over the last three years.

Comparable number four is located to the east of the subject within the community of Winchester. This site was purchased for future commercial development and consists of vacant raw land. The site has frontage and exposure to two streets one of which is an arterial street at a signalized corner. The specific location is superior to the subject's which warranted a downward adjustment. A downward adjustment was also made for its superior site utility when compared to the subject. Fronting to existing public streets provides superior off-sites which warranted a downward adjustment. The site surrounds a major corner and benefits from a superior corner influence, warranting a downward adjustment. The seller purchased this property in October of 2005.

Comparable number five consists of a commercial site that is located to the southeast of the subject within the city of Hemet. The buyer's intended use of the site is to construct a hospitality building. The specific location is considered to be similar to the subject. The potential use of the site is also similar to the subject. A downward adjustment was also made for its superior site utility when compared to the subject. The smaller size of the site required a slight downward adjustment based on the economies of scale. This comparable is similar to the subject in most aspects and required minimal adjustments. No other sales transactions have occurred over the last three years.

**AARON GARDNER, APPRAISER**

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**RECONCILIATION - Suncal Expansion Land Sales - continued:**

Comparable number six consists of an active listing of a commercial site located to the northwest of the subject on Rubidoux Boulevard. The site is zoned for service commercial uses. The specific location is considered to be similar to the subject. The site also has a similar interior block location. The smaller size of the site warranted a downward adjustment based on the economies of scale. A downward adjustment was also made for its superior site utility when compared to the subject. A listing extraction was made to account for the typical negotiations that occur between a buyer and seller. No prior sales transactions have occurred within the last three years.

The following contains a grid detailing the applicable adjustments that were warranted for the included comparables relative to the subject as discussed above. On the grid, a percentage amount is used to represent the relative amount of each adjustment. It should be emphasized, however, that the actual adjustments are subjective in nature, and cannot, in reality, be reduced to an exact percentage by any mathematical formula. The percentages represent an attempt to quantify a professional judgment made by the appraisers. All figures are rounded, and are non-specific in nature. Obviously, these percentage adjustments should not be construed as an exact measurement. They are indicative of patterns and of weightings, and they often contain factors other than what the specific title might imply. All of these items were important in this appraiser's judgment, as reflected by the data presented and in file.

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**SALES ADJUSTMENT GRID**

APN# 179-170-020 Site Area: 350,658 square feet / 8.05 acres APN# 179-170-005 Site Area: 69,696 square feet / 1.60 acres APN# 179-130-004 Site Area: 337,590 square feet / 7.75 acres APN# 179-130-007 Site Area: 195,149 square feet / 4.48 acres <b>Total Assembled Site Area: 953,053 square feet / 21.88 acres</b>						
Comparable	#1	#2	#3	#4	#5	#6
<b>Price per SF</b>	<b>\$4.19</b>	<b>\$4.21</b>	<b>\$2.25</b>	<b>\$3.08</b>	<b>\$2.54</b>	<b>\$7.49</b>
Date of Sale	9/10	3/10	4/10	12/09	1/10	Active
Site Area SF	202,990	498,618	251,341	891,913	448,232	160,301
Site Area Acres	4.66	11.45	5.77	20.48	10.29	3.68
Sales Price	\$850,000	\$2,100,000	\$565,000	\$2,750,000	\$1,139,000	\$1,200,000
Listing Extraction	--	--	--	--	--	-30%
Cash Equivalency	--	--	--	--	--	--
Time of Sale	--	--	--	--	--	--
Improvements	--	--	--	--	--	--
<b>Adjusted Price/SF</b>	<b>\$4.19</b>	<b>\$4.21</b>	<b>\$2.25</b>	<b>\$3.08</b>	<b>\$2.54</b>	<b>\$5.24</b>
Location	-15%	-10%	+10%	-5%	--	--
Site Utility	-5%	-5%	-5%	-5%	-5%	-5%
Size	-8%	-2%	-5%	--	-2%	-10%
Zoning/Potential	--	--	--	--	--	--
Site Improvements	--	-10%	--	-10%	--	--
Tract Map	--	--	--	--	--	--
Corner Influence	-2%	-2%	--	-2%	--	--
Exposure	--	--	--	--	--	--
Total Adjustments	-30%	-29%	0%	-22%	-7%	-15%
<b>Indicated Price/SF</b>	<b>\$2.93</b>	<b>\$2.99</b>	<b>\$2.25</b>	<b>\$2.40</b>	<b>\$2.36</b>	<b>\$4.45</b>

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**RECONCILIATION OF LAND VALUE:**

The subject's land value has been considered based on its legally permissible use of commercial/residential land. The included comparables consist of sites that have similar use potentials either as residential or commercial uses. All of the sites were purchased specifically for new development by users or to hold for investment. Such uses would also be considered an acceptable alternative use for each of the selected comparables. The included sales were the most recent and most similar of the available sales from the surrounding market area. All of these sites are located in areas that would accommodate similar uses to the subject's.

The unadjusted rate per square foot ranges from a low of \$2.25 to a high of \$7.49 per square foot for a current listing is close proximity to the subject property. The various differences between the subject and the comparables have been considered and adjusted for. Adjusting for these various differences resulted in value indicators from a low of \$2.25 per square foot to a high of \$4.45 per square foot. The high end of the range represents the current listing. Considering only the closed sales resulted in a range from a low of \$2.25 per square foot to a high of \$2.99 per square foot, a slightly tighter range. The indicated mean value of the closed sales is \$2.60 per square foot with a standard deviation of 0.32. The overall range and the adjusted range were considered in our final reconciliation.

Thus, based upon these considerations and given current market conditions, the indications of value derived from the comparables are more properly viewed as forming a range within which the subject property might be placed. Accordingly, recognizing the overall nature and condition of the subject, our analysis of available market data, information obtained from knowledgeable parties during confirmation of comparable data, and considering the subject's specific locational attributes, these considerations suggest that an indication of value of the fair market value of the subject's land is best represented at \$2.50 per square foot. The value is calculated as follows:

953,093 square feet @ \$2.50 per square foot = \$2,382,733

Say

**TWO MILLION THREE HUNDRED EIGHTY THOUSAND DOLLARS**  
**(\$2,380,000)**

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### **ESTIMATED LIQUIDATION VALUE**

Due to the present economy, the time required to market residential properties and complete a sales transaction has increased to three months plus an additional two months for the escrow. Commercial properties are experiencing longer marketing periods. The subject property consists of vacant land. As indicated in the body of the report, it is estimated that the marketing time to sell the subject property would be 18 months plus an escrow period "as is".

Proposed changes designed to retain businesses and attract new ones should help in the long term. The loss of businesses, jobs, and population to surrounding states is diminishing as the local economy continues to recover. Concerns that higher interest rates may squash residential construction, home sales, and the ripple benefit to other industries, continue to dampen some investors' interest in some of the markets. While it is hard to draw a direct, specific correlation between these factors and a liquidation value for the subject property, all of these factors have relevance to some degree.

The subject's specific location and use make this property desirable. However, the size of the facility limits the number of qualified buyers. Therefore, to facilitate a quick sale (within six months or less), it is anticipated that a reduction of near 30% would be reasonable. The indicated "as is" market value for the subject property Suncal expansion land is \$2,380,000. A 30% reduction for a quick sale results in a value of approximately \$1,665,000. Therefore, our Liquidation Value for the subject property considering the "as is" condition is estimated to be:

**SUNCAL EXPANSION LAND:**

**ONE MILLION SIX HUNDRED SIXTY-FIVE THOUSAND DOLLARS  
\$1,665,000**

**AARON GARDNER, APPRAISER**

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## **FINAL RECONCILIATION**

The final reconciliation is the process of compiling, coordinating, and integrating related facts to form a reasonable and unified value conclusion. This final value conclusion should represent in a logical and orderly fashion, the correlation of interdependent elements, and is a pre-requisite to a proper reconciliation. Additionally, a re-examination of specific data, procedures, and techniques within the framework of the approaches used to derive the preliminary value conclusion is required.

The Market Data Approach is a process of comparing prices paid, prices asked, prices offered, and rentals between the property being appraised and other similar properties. It tends to produce an answer within a bracket rather than a precise figure. One of the benefits of this approach is its ability to support the general trends that are evident in all three approaches, and thereby support the other approaches. Since all of the sales used here are reasonably comparable, this approach is considered a good value indicator for this property and is the only one that is applicable.

The Cost and the Income Approaches are not applicable to the subject because the subject property is being considered as vacant land.

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## FINAL VALUE CONCLUSION

### Approach Most Likely Used By Potential Purchasers

We feel that the Market Approach has reliable data, and it is the only approach, which has been given consideration. In determining the fee simple value of land, the emphasis is naturally given to this approach.

Potential investment purchasers will most often utilize the Market Approach in evaluating a price to pay for a property of this type. The Market Approach has been utilized as there are a reasonable number of sales comparables to bracket the subject's value. Also, these sales all represent fee simple sales on properties that were not encumbered by existing leases, but were sold primarily as vacant land, like the subject or previously developed sites that were purchased to be redeveloped. With the applicable technique now having been applied, our final results under this approach are summarized below.

<b>"AS IS" VALUE:</b> Suncal Expansion Land	
Market Approach	\$2,380,000

This value conclusion was derived through the application of acceptable appraisal principles, concepts, and techniques. The final value conclusion is a blending of factors to which the typical buyer would give the most consideration. I have therefore formed the opinion that the Market Value of the Fee Simple Interest in the site value of the subject property of 21.88 acres of land located on 3260 Rubidoux Boulevard, Riverside (Unincorporated County Area), California as of March 23, 2011 is:

**"AS IS" VALUE OF SUNCAL EXPANSION LAND**  
**(APN: 179-130-004, 179-130-007, 179-170-005 AND 179-170-020)**  
**TWO MILLION THREE HUNDRED EIGHTY THOUSAND DOLLARS**  
**(\$2,380,000)**

by:



Aaron Gardner, AG005074  
Certified General Appraiser

AARON GARDNER, APPRAISER

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## LEGAL DESCRIPTION

### LEGAL DESCRIPTION

REAL PROPERTY IN THE CITY OF RIVERSIDE, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

PARCEL 4: (179-130-004)

PARCEL A:

THAT PORTION OF LOT 2 OF ARTHUR PARKS TRACT, AS SHOWN BY MAP ON FILE IN BOOK 1 PAGE(S) 21, OF MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE NORTHWESTERLY LINE OF SAID LOT, 624 FEET NORTHEASTERLY FROM THE SOUTHWESTERLY CORNER THEREOF, SAID POINT BEING THE NORTHERLY CORNER OF THAT CERTAIN PARCEL OF LAND CONVEYED TO JAMES A. MC CLAIN AND NANCY A. MC CLAIN, HIS WIFE, BY DEED RECORDED AUGUST 9, 1922 IN BOOK 560 PAGE 479, OF DEEDS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA; THENCE SOUTH 59°16' EAST; ALONG THE NORTHERLY LINE OF SAID PARCEL, 502 FEET TO A POINT IN THE EASTERLY LINE OF SAID LOT 2; THENCE NORTH 53°39' EAST ALONG SAID EASTERLY LINE, 179.6 FEET; THENCE NORTH 59°16' WEST 550.43 FEET TO THE NORTHWESTERLY LINE OF SAID LOT 2; THENCE SOUTH 38° WEST, ALONG SAID NORTHWESTERLY LINE, 167 FEET; TO THE POINT OF BEGINNING;

EXCEPTING THEREFROM THE NORTHWESTERLY 40 FEET CONVEYED TO THE COUNTY OF RIVERSIDE, BY DEED RECORDED DECEMBER 31, 1946 AS INSTRUMENT NO. 4018;

ALSO EXCEPTING THEREFROM THAT PORTION INCLUDED IN PUBLIC ROADS.

PARCEL B:

THAT PORTION OF LOT 2 OF ARTHUR PARKS TRACT, AS SHOWN BY MAP ON FILE IN BOOK 1 PAGE(S) 21, OF MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE NORTHWESTERLY LINE OF SAID LOT, 791 FEET NORTHEASTERLY FROM THE SOUTHWESTERLY CORNER THEREOF, SAID POINT BEING THE NORTHERLY CORNER OF THAT CERTAIN PARCEL OF LAND CONVEYED TO ALBERT C. ADIX AND MABLE N. ADIX, HIS WIFE, BY DEED RECORDED NOVEMBER 23, 1929 IN BOOK 832 PAGE 314, OF DEEDS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA; THENCE SOUTH 59°16' EAST, ALONG THE NORTHERLY LINE OF SAID PARCEL, 550.43 FEET TO A POINT IN THE EASTERLY LINE OF SAID LOT 2; THENCE NORTH 53°39' EAST, ALONG SAID EASTERLY LINE, 243.1 FEET; THENCE NORTH 59°16' WEST 616.7 FEET TO THE NORTHWESTERLY LINE OF SAID LOT 2; THENCE SOUTH 38° WEST ALONG SAID NORTHWESTERLY LINE, 225.8 FEET, TO THE POINT OF BEGINNING;

EXCEPTING THEREFROM THE NORTHWESTERLY 40 FEET CONVEYED TO THE COUNTY OF RIVERSIDE BY DEED RECORDED DECEMBER 31, 1946 AS INSTRUMENT NO 4018;

ALSO EXCEPTING THEREFROM ANY PORTION INCLUDED IN PUBLIC ROADS.

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## LEGAL DESCRIPTION - CONTINUED

### PARCEL C:

THAT PORTION OF LOT 2 OF ARTHUR PARKS TRACT, AS SHOWN BY MAP ON FILE IN BOOK 1 PAGE(S) 21, OF MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE NORTHWESTERLY LINE OF SAID LOT, 1016.8 FEET NORTHWEASTERLY FROM THE SOUTHWESTERLY CORNER THEREOF, SAID POINT BEING THE MOST WESTERLY CORNER OF THAT CERTAIN PARCEL OF LAND CONVEYED TO JACK PRECIADO AND WILLIAM S STEVENS, BY DEED RECORDED MARCH 14, 1941 IN BOOK 495 PAGE 145 OF OFFICIAL RECORDS; THENCE NORTH 38° EAST, ALONG SAID NORTHWESTERLY LINE, 250 FEET; THENCE SOUTH 59°16' EAST TO A POINT ON THE SOUTHEASTERLY LINE OF SAID LOT; THENCE SOUTH 53°39' WEST, ALONG SAID SOUTHEASTERLY LINE, 265 FEET, MORE OR LESS, TO THE SOUTHEASTERLY CORNER OF THE HEREIN DESCRIBED PROPERTY; THENCE SOUTH 39°16' WEST, ALONG THE SOUTHEASTERLY LINE OF SAID PARCEL, 616.7 FEET TO THE POINT OF BEGINNING;

EXCEPTING THEREFROM THE NORTHWESTERLY 40 FEET CONVEYED TO THE COUNTY OF RIVERSIDE, BY DEED RECORDED DECEMBER 31, 1958 AS INSTRUMENT NO. 4018;

ALSO EXCEPTING THEREFROM THAT PORTION DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE NORTHWESTERLY LINE OF SAID LOT, 1266.8 FEET NORTHEASTERLY OF THE SOUTHWEST CORNER OF SAID LOT 2; THENCE SOUTH 59°16' EAST, 150 FEET; THENCE SOUTHWESTERLY PARALLEL TO THE NORTHWESTERLY LINE OF SAID LOT, 130 FEET; THENCE NORTH 59°16' WEST, 150 FEET; THENCE NORTH 38° EAST, ALONG THE NORTHWESTERLY LINE OF SAID LOT 2, TO THE POINT OF BEGINNING;

### PARCEL 5: (179-170-020 and 179-170-005)

ALL THAT PORTION OF LOT 1 OF ARTHUR PARKS TRACT, AS SHOWN BY MAP ON FILE IN BOOK 1, PAGE 21, OF MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, AND THOSE PORTIONS OF LOT 9 AND OF THAT CERTAIN PARCEL OF LAND DESIGNATED AS "LANDS OF W. W. CARR, 13.75 AC.", AS SHOWN ON MAP OF THE RIVERSIDE LAND AND IRRIGATING COMPANY'S TURBINE TRACT, ON FILE IN BOOK 5, PAGE 116, OF MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE MOST SOUTHERLY CORNER OF SAID PARCEL DESIGNATED AS "LANDS OF W. W. CARR". THENCE NORTH 59°58' WEST, ALONG THE NORTHEASTERLY LINE OF THE COUNTY ROAD AS SHOWN ON MAP LAST AFORESAID, 395.18 FEET, TO AN ANGLED POINT THEREIN; THENCE NORTH 60° WEST ALONG THE NORTHEASTERLY LINE OF SAID COUNTY ROAD, 131.02 FEET FOR THE POINT OF BEGINNING; THENCE NORTH 33°53' EAST, 528.49 FEET, AS STATED IN DEED RECORDED FEBRUARY 7, 1958 IN BOOK 2236, PAGES 57 & 58; THENCE NORTH 45°36' EAST, 265.00 FEET, AS STATED IN DEED RECORDED FEBRUARY 7, 1958, BOOK 2236, PAGE 57 & 58;

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## LEGAL DESCRIPTION - CONTINUED

THENCE NORTH 54°06' EAST, 129.73 FEET, AS STATED IN DEED RECORDED FEBRUARY 7, 1958, BOOK 2236, PAGE 57 & 58;  
THENCE NORTH 59°09' WEST, PARALLEL WITH THE NORTHEASTERLY LINE OF SAID ARTHUR PARKS TRACT, 804.14 FEET TO A POINT ON THE NORTHWESTERLY LINE OF LOT 1 OF SAID ARTHUR PARKS TRACT;  
THENCE SOUTH 53°43' WEST, ALONG THE NORTHWESTERLY LINE OF SAID LOT 1, 426.89 FEET TO THE MOST WESTERLY CORNER OF SAID LOT 1;  
THENCE SOUTH 59°20'19" EAST, PER PARCEL MERGER 994 RECORDED FEBRUARY 3, 1997 AS INSTRUMENT NO 036653, 345.84 FEET TO AN ANGLE POINT OF SAID LOT 1;  
THENCE SOUTH 24°04' EAST ALONG THE SOUTHWESTERLY LINE OF SAID LOT 1, 362.34 FEET TO THE MOST SOUTHERLY CORNER OF SAID LOT 1;  
THENCE SOUTH 52°41' WEST ALONG THE SOUTHEASTERLY LINE OF SAID ARTHUR PARKS TRACT, 95.31 FEET TO AN ANGLE POINT THEREIN;  
THENCE SOUTH 35°34' WEST ALONG THE SOUTHEASTERLY LINE OF SAID ARTHUR PARKS TRACT 219.90 FEET, MORE OR LESS, TO A POINT ON THE NORTHEASTERLY LINE OF THE COUNTY ROAD AS SHOWN ON SAID MAP OF RIVERSIDE LAND AND IRRIGATING COMPANY'S TURBINE TRACT;  
THENCE SOUTH 60°00' EAST, ALONG SAID NORTHEASTERLY LINE 235.79 FEET TO THE POINT OF BEGINNING;

EXCEPTING THERE FROM ANY PORTION THEREOF LYING EASTERLY OF THE JURUPA DITCH AS LOCATED ON APRIL 9, 1918, BEING THE DATE OF DEED TO H. M. VANDERLICE, TO THE POINT WHERE L. W. WILSON TAKES HIS WATER THROUGH A WOODEN FLUME AS EXCEPTED IN SAID DEED TO H. M. VANDERLICE RECORDED MAY 2, 1918 IN BOOK 479, PAGE 292, OF DEEDS;

ALSO EXCEPTING THERE FROM ALL LAND LYING EASTERLY OF SAID WOODEN FLUME EXTENDING TO THE COUNTY ROAD AS EXCEPTED IN SAID DEED TO H. M. VANDERLICE RECORDED MAY 2, 1918 IN BOOK 479, PAGE 292, OF DEEDS;

ALSO EXCEPT THERE FROM THAT PORTION OF LOT 1 OF SAID ARTHUR PARKS TRACT, DESCRIBED AS FOLLOWS:

BEGINNING AT THE MOST SOUTHWESTERLY CORNER OF SAID LOT 1 AS SHOWN ON RECORD OF SURVEY ON FILE IN BOOK 81 OF RECORDS OF SURVEY AT PAGE 82, THEREIN, RECORDS OF SAID COUNTY;  
THENCE SOUTH 59°20'19" EAST, ALONG THE SOUTHWESTERLY LINE OF SAID LOT 1, 345.84 FEET TO AN ANGLE POINT THEREIN;  
THENCE NORTH 30°39'41" EAST, 120.00 FEET;  
THENCE NORTH 59°14'26" WEST, 294.29 FEET TO A POINT ON THE NORTHWESTERLY LINE OF SAID LOT 1;  
THENCE SOUTH 53°38'25" WEST 130.89 FEET TO THE POINT OF BEGINNING.

PARCEL 6: (179-130-007)

PARCEL 2 OF PARCEL MAP 6868, AS SHOWN ON FILE IN BOOK 24 PAGE(S) 53 AND 54, OF PARCEL MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

AARON GARDNER, APPRAISER

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## LETTER OF ENGAGEMENT

### APPRAISER ENGAGEMENT LETTER

EVANGELICAL CHRISTIAN CREDIT UNION ("ECCU") HEREBY ENGAGES AARON GARDNER TO APPRAISE THE PROPERTY ON THE TERMS AND CONDITIONS SET FORTH HEREIN.

Effective Date	March 23, 2011
Appraiser	Aaron Gardner – (949) 462-0088 / <a href="mailto:aaron@cavalues.com">aaron@cavalues.com</a> (Appraiser must have a current license in property state at time of engagement.)
Borrower	Life Church of God In Christ – Riverside CA
Property Description	See attached addendum.
Scope of Work	<b>Appraisal Requirements:</b> <ul style="list-style-type: none"><li>• Please include a <u>table of contents</u> in all appraisal reports. Include the contents of the Addenda in the order you place them.</li><li>• The appraiser is to clearly state the method employed in determining the square footage of the improvements and site. The sizes provided by ECCU are not to be accepted as fact. Preferred means of determining improvement size are physical measurement when practical or takeoff calculations from as-built building plans. You should not rely on the building sizes printed on construction drawings (AIA standards are not consistent with BOMA standards) or public records, which are frequently unreliable in many jurisdictions. To the extent that the reason for any disparity can be determined, that information should be included in your appraisal report.</li><li>• In your comparable data sheets, include the name, relationship, date and contact info that you used to verify the comparable. Also, include a brief synopsis of what you learned about the terms and conditions of the sale; especially how and if they impacted the price of the transaction.</li><li>• <u>Opinion Development:</u> ~ All appropriate approaches. If the cost approach is determined to be inappropriate, complete a land valuation and a replacement cost estimate for the improvements.</li><li>• <b>Please Identify the inspection date as Date Of Valuation</b></li><li>• <b>PLEASE INCLUDE YOUR APPRAISAL LICENSE IN EVERY REPORT</b></li><li>• <b>PLEASE PROVIDE 6 MONTH LIQUIDATION VALUE</b></li></ul> <b>Report Detail:</b> <ul style="list-style-type: none"><li><input type="checkbox"/> Restricted <input checked="" type="checkbox"/> Summary <input type="checkbox"/> Self Contained <input type="checkbox"/> Recertification of Value<ul style="list-style-type: none"><li>➢ The Summary form report must comply with all of the requirements (including sufficient detail) set forth in this letter and the ECCU guidelines.</li><li>➢ The FNMA SFR Summary form may be used for any SFRs</li></ul></li></ul>

#### Required Opinions:

- "As is" Market Value, with "As Complete" Market Value if indicated on the attached addendum
  - "As Complete" property values must reflect the current effective date, not a future or "prospective" date.
  - Personal Property and trade fixtures are not to be included in the determination of market value, unless considered Real Property.
- Separate Value Conclusions for:
  - Each property, if there are multiple properties
  - Excess or expansion land, if any

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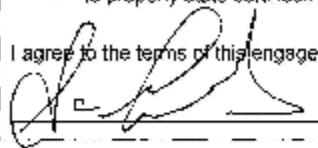
## LETTER OF ENGAGEMENT - CONTINUED

	<ul style="list-style-type: none"><li>&gt; Marketing Time and Exposure Time</li></ul>
<b>Required Analysis:</b>	<ul style="list-style-type: none"><li>&gt; Adjustment grid for LAND and IMPROVED sales, with a detailed description of comparable property adjustments showing QUANTITATIVE (not qualitative) adjustments</li><li>&gt; Cost Approach must include breakdown and explanation of all costs, including any indirect costs, and all forms of depreciation.</li><li>&gt; Highest and Best Use, as improved and as vacant</li><li>&gt; Please refer to ECCU's Appraisal Content Requirements for additional requirements.</li></ul>
<b>Required Exhibits</b>	<ul style="list-style-type: none"><li>&gt; Reporting Requirements Checklist</li><li>&gt; <b>Signed Engagement Letter</b></li><li>&gt; Appraiser Qualifications &amp; Current License</li></ul>
<b>Fee</b>	\$2,000
<b>Delivery Date</b>	<ul style="list-style-type: none"><li>&gt; No later than April 14, 2011, 4:00 PM (Pacific Standard Time)</li><li>&gt; Notify Darleen Clark immediately if at any time during the assignment you are not able to prepare the report within this estimate of time or cost. Please contact the borrower as early as possible to arrange your inspection. If you get an uncooperative response or outright refusal to make arrangements, please let us know as soon as possible. We can then work to secure access to the premises. Considering the current economic climate, many of us are seeing less than enthusiastic receptions. Try to be understanding, but if you sense that you are being put off by more than a couple of days, let us know, preferably via email. If you ever are stood up at the door, call Bruce immediately (Cell: 714.512.0765)</li></ul>
<b>Report Delivery</b>	<ul style="list-style-type: none"><li>&gt; Deliver an electronic draft of the appraisal report and an invoice via email to <a href="mailto:darleen.clark@eccu.org">darleen.clark@eccu.org</a>.</li><li>&gt; The appraisal will be reviewed by ECCU and the appraiser advised of any needed corrections. If corrections are needed, the appraiser is to provide corrections no later than 3 business days from the date of notification.</li><li>&gt; Once the appraisal is approved, please forward ONE HARD COPY to our office AND A FINAL PDF reflecting corrections. Our mailing address is: ECCU 955 W Imperial Hwy Brea CA 92821.</li><li>&gt; Payment will be made upon receipt of the final copies of the report. PLEASE ENSURE THAT ALL INVOICES &amp; CORRESPONDENCE INCLUDE THE BORROWER'S NAME.</li></ul>
<b>Other Conditions</b>	<ul style="list-style-type: none"><li>&gt; The investigation, analysis and personal inspection will be conducted by the appraiser identified above or another ECCU approved appraiser.</li><li>&gt; In no event should your firm or any others involved in the preparation of the appraisal report bill or collect the appraisal fee and/or any other consideration from our borrower.</li></ul>
<b>Authorization</b>	On behalf of ECCU, this engagement is authorized as of the Effective Date by:  Bruce Diller, Chief Appraiser If you have any questions regarding this engagement, or at any time are unable to complete the appraisal according to the Scope of Work listed above, please contact Darleen Clark at 714.671.5700 x1829, <a href="mailto:darleen.clark@eccu.org">darleen.clark@eccu.org</a> .

AARON GARDNER, APPRAISER

24551 Raymond Way, Suite 190, Lake Forest, CA 92630, Telephone: (949) 462-0088, Fax: (949) 462-0089

## LETTER OF ENGAGEMENT - CONTINUED

Appraiser's Acceptance	By accepting this assignment, the appraiser hereby certifies that the appraiser <ul style="list-style-type: none"><li>• has no direct or indirect interest, financial or otherwise, in the property or the transaction.</li><li>• is competent to perform this assignment in accordance with USPAP's Competency Provision.</li><li>• Is properly state certified/licensed in the subject property's jurisdiction.</li></ul> I agree to the terms of this engagement letter.  Date: <u>3-23-11</u>
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### PROPERTY DESCRIPTION:

Collateral Property Address	Parcel #	Land Size (Acres)	# of Bldgs	Bldg. Sq. Ft.	Property Type	As Is
(A) Expansion Land, Rubidoux Blvd, Riverside, CA 92509	179-170-320	8.05	n/a	n/a	Surplus Expansion Land	<input checked="" type="checkbox"/>
(B) Expansion Land, Rubidoux Blvd, Riverside, CA 92509	179-170-306	1.50	n/a	n/a	Surplus Expansion Land	<input checked="" type="checkbox"/>
(C) Expansion Land, Rubidoux Blvd, Riverside, CA 92509	178-130-307	1.48	n/a	n/a	Surplus Expansion Land	<input checked="" type="checkbox"/>
(D) Expansion Land, Rubidoux Blvd, Riverside, CA 92509	179-130-304	.75	n/a	n/a	Surplus Expansion Land	<input checked="" type="checkbox"/>

Comments: Please provide 6 Month Liquidation Value

Property Access	To obtain access to the property, contact Alonso Somerville, CFO 951.384.5433 or 951.203.3585 (Cell) @ <a href="mailto:Zonolis@aol.com">Zonolis@aol.com</a>
Property Information	To obtain property information, contact same as above

**AARON GARDNER, APPRAISER**

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**QUALIFICATIONS OF  
AARON GARDNER, APPRAISER**

**FORMAL EDUCATION & LICENSES**

NAME OF INSTITUTION	DATES	TYPE OF DEGREE
RICKS JUNIOR COLLEGE	1973-1974	
BRIGHAM YOUNG UNIVERSITY	1976-1980	BACHELOR OF SCIENCE
CERTIFIED GENERAL APPRAISER	1992-2012	CA AG005074

**PROFESSIONAL AND TECHNICAL COURSES COMPLETED**

SREA COURSE 101	STATISTICS, CAPITALIZATION
SREA COURSE 201	PARTIAL INTERESTS
SREA COURSE 202	FEDERAL & STATE LAWS & REGULATIONS
APPRAISING INCOME PROPERTIES	USPAP - APPLYING THE STANDARDS
STANDARDS OF PROFESSIONAL	CALIFORNIA REAL ESTATE PRINCIPLES
APPRAISAL PRACTICE A&B	MORTGAGE FRAUD
USPAP	FEDERAL & STATE LAWS & REGULATIONS
AD VALOREM TAX CONSULTATION	

**SEMINARS AND ADDITIONAL TRAINING**

LITIGATION SEMINAR	RESIDENTIAL PROPERTY SEMINAR
VALUING INCOME PROPERTIES	EXPENSE SEMINAR
DISCOUNTED CASH FLOWS	SPREAD SHEET ANALYSIS
CAPITALIZATION TECHNIQUES	PARTIAL INTERESTS
APPRAISAL MATHEMATICS	SITE PLANNING & LAND DEVELOPMENT
ECONOMIC FORECASTS	SOUTHERN CALIFORNIA MARKET TRENDS
VALUATION OF FAST FOOD RESTAURANTS	

**EMPLOYMENT HISTORY**

NAMES OF EMPLOYERS	BUSINESS TITLE	PRINCIPLE DUTIES	DATES
SELF EMPLOYED	COMMERCIAL APPRAISER	APPRAISING CHURCHES COMMERCIAL, INDUSTRIAL AND INCOME PROPERTIES	3/96 TO PRESENT
DATA RESEARCH C & I, INC	PRESIDENT CHIEF COMMERCIAL APPRaiser	APPRAISING CHURCHES COMMERCIAL, INDUSTRIAL AND INCOME PROPERTIES	3/90-3/96
DATA RESEARCH INC.	SENIOR APPRAISER	APPRAISING COMMERCIAL INDUSTRIAL AND INCOME PROPERTIES	12/86-12/91
LAGUNA ASSOCIATES	FEE APPRAISER	APPRAISING INCOME COMMERCIAL, INDUSTRIAL & RESIDENTIAL PROPERTIES	5/85-12/86
INLAND APPRAISAL SERVICE	FEE APPRAISER	APPRAISING RESIDENTIAL AND INCOME PROPERTIES	4/82-5/85

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**APPRAISER'S LICENSE**

